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# FINANCIAL TIMES

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## NEWS SUMMARY

**General**  
Syrians in Beirut  
A new Beirut  
Lebanese clashes

Tanks yesterday intensifying their shelling of Beirut as the city's population of 1.5 million was faced with renewed fears of civil war which ended 15 years ago and if it were to collapse, it is feared that the city would be divided into a Muslim enclave, of Beirut.

Lebanese and Syrians fought yesterday against Palestinians in a new round of fighting in Beirut. The clashes stem from the fact that the Syrians are being undermined by the Lebanese who are trying to throw them out of the city.

**Empty to reach**  
**Odessa pact**  
The four delegations at Odessa, the internal settlement of the city, are expected to sign a one-man-one-vote agreement next Monday.

**French Left slips**  
The French opinion polls indicate that the Left-wing parties have been slightly reduced, but the Socialist Party remains at the head of the parade.

**Oppier dies**  
Robert Kappler, 70-year-old, died yesterday of a heart attack. He had been suffering from a long illness.

**Winnipeg sentence**  
Winnipeg, Manitoba, has been sentenced to a year in prison for breaching the terms of a peace agreement.

**Leffly**  
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Date fixed for April 11 as Callaghan thanks miners

## Later Budget Day gives time for tax cuts decision

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

Budget Day will be Tuesday, April 11, the latest of the likely dates. This will allow more time for the intensive debate to be resolved in the Treasury and Whitehall about the exact size of the reflationary package, including the expected substantial cuts in income tax.

The date was announced in a statement by Mr. Michael Foot, Leader of the House, yesterday. The main alternative was March 14, before the Easter recess. But an earlier date apparently was considered to have no special advantage in influencing the current pay round or any talks with the TUC about what happens on incomes policy after the summer.

The April date is, however, likely to have had the attraction of allowing more time for economic prospects to become clearer. The range of Budget stimulus under consideration is between about £1.5bn and £2.1bn, nearer the upper limit looked more likely at the beginning of the year, but some of the official advice recently received by Mr. Denis Healey, the Chancellor, seems to have become more cautious.

Caution about expecting too much in the way of tax cuts was

## Windscale report backs new plant

BY DAVID FISHLOCK, SCIENCE EDITOR

THE WINDSCALE Inquiry report is believed to have recommended strongly that approval be given to the construction of a new British reprocessing plant for spent nuclear fuel.

Mr. Justice Parker is believed to have stated his conclusions in terms so unequivocal that the Government face a dilemma over how it can avoid giving an immediate go-ahead for the project.

Opponents of the project, although long resigned to the likelihood that the Parker report would approve the project, had hoped that it might contain sufficient caveats to make the Government hesitate to take a rapid decision.

In fact, his conclusions, it is understood, leave little room for further debate about the desirability of the Windscale nuclear project.

The 100-day public inquiry last summer was set up by the Government to report on plans of the State-owned company British Nuclear Fuels to build a new £600m. reprocessing plant.

A new Mr. Justice Parker's report was sent to Mr. Peter Shore, Environment Secretary, last month. The Government has been unable to decide whether to approve the project simultaneously with its publication, or whether to permit another Parliamentary debate.

Parliamentary debate — as happened in many MPs have been urging — before any decision is announced.

The Government yesterday refused to discuss an exchange of letters between the U.S. State Department and the Foreign Office, over U.S. Government policy on reprocessing of spent nuclear fuel.

The U.S. letter, written in December, raised the possibility that the Windscale inquiry had decided that MPs should have been misinformed about U.S. their chance.

## N-station leak bill £15m.

BY RAY PERMAN, SCOTTISH CORRESPONDENT

THE ACCIDENTAL leak of sea water into the Hunterston B nuclear power station on the Clyde will cost at least £15m. — more than the initial worst estimate — and it could be as high as £20m. It will put one reactor out of service for a year.

South of Scotland Electricity Board engineers have decided against the easiest and quickest remedy of trying to flush out salt deposits. The executive's decision was a disgrace, and the negotiations, a "charade".

A special meeting of the national executive has been called for next Wednesday, when the share-out of the 10 per cent. earnings addition will be discussed.

## Somalia counters Ethiopia offensive with mobilisation

BY OUR FOREIGN STAFF

SOMALIA has threatened to throw its full military weight into the battle for the Ogaden region of the Horn of Africa against Ethiopia's Russian-backed offensive.

Somalia's answer to an Ethiopian call to surrender peacefully or face the consequences of annihilation — yesterday was the mass mobilisation of Somali civilians.

Mr. Abdulkassim Salad Hassan, Minister of Information, said the mobilisation would start soon and might be followed by the use of regular Somali troops.

If Ethiopia "internationalised" the war by seeking to annex northern Somalia, "we would have no alternative but to send our troops in," he said.

He said that Somali regular troops, trained by Russians formerly in Somalia, have been engaged in the war since it began six months ago.

Somalia has always denied this and insisted that the fighting has been done by the Western Somali Liberation Front, a local Somali guerrilla group.

Ethiopia yesterday accused Egypt of sending troops to help Somali forces in the Ogaden war. The Ethiopian Foreign Ministry in Addis Ababa said such a move threatened not only Ethiopia, but also Africa and the world.

Gen. Hassan El-Kateb, Egypt's military spokesman, denied Ethiopian claims that 5,000 Egyptian troops were on their way to help the Somalis and join Egyptian troops already there.

## Wilkinson deal terms revised

BY KETH LEWIS

THE PROSPECT of a major City takeover of the controversial deal whereby Alcony Ludlum Industries, the U.S. garden tool group, was to have gained control of Wilkinson Match without making full take-over bids, appears to have been averted.

Revised terms of the acquisition by Wilkinson of True Temper, an Allegheny subsidiary, will mean that if the new deal is approved by shareholders, Wilkinson will own 44.4 per cent. of Wilkinson, and not over 51 per cent. as originally intended.

Allegheny has undertaken not to increase its holding above 45 per cent. unless it makes a general offer for the remainder, in which case over 50 per cent. of the outstanding shares would have to be voted in favour. It is estimated that institutions hold at least 30 per cent. of the Wilkinson equity.

**Chief price changes yesterday**

Prices in pence unless otherwise indicated		
5-year 5 1/2% 1982	250 1/2	+ 1/2
10-year 12 1/2% 1985	210 1/2	+ 1/2
10-year 12 1/2% 1985	210 1/2	+ 1/2
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## EUROPEAN NEWS

## Economic dilemma faces Andreotti

BY DOMINICK J. COYLE

THE QUALIFIED optimism here that Sig. Giulio Andreotti, Italy's Prime Minister-designate, may be able to find an early, if temporary, solution to the country's political crisis, cloaks a number of pressing economic issues which remain to be resolved.

In essence, no budget has been agreed yet for the current year between the various political forces, and the projected enlarged public sector deficit for 1978 remains far outside the limits agreed with the International Monetary Fund. A fund mission to review the terms and undertakings incorporated in Italy's letter of intent to the IMF last April is scheduled to visit Rome within the next few weeks.

There is also the continuing disagreement on the growth

target for 1978. The proposal of the minority Christian Democrat Government before its resignation last month was to aim at a maximum of 3 per cent, but this has been rejected both by the national employer organisation, Confindustria, and by the trade unions.

They are now pressing for a target of up to 4 per cent to reverse the recession and make some inroads on the country's mounting unemployment. However, many independent analysts support the publicly-stated position of the Bank of Italy that a growth rate in excess of 3 per cent over the next few years—assuming no basic change in the trend of labour costs and Italy's import requirements—can be achieved only at the cost of a renewed balance of payments crisis and further undermining of the exchange rate.

Most big labour contracts are due for renegotiation this year and, despite some recent moderation in the trend of price inflation, and consequently some relative improvement in the cost of the country's inflationary system of wage indexation, the unions' rank-and-file membership still sounds militant.

Italy's Communist Party has now climbed down from its open demand for direct participation in the next Italian Government, agreeing instead to support in parliament with other opposition parties an "emergency plan" to be executed by a new minority government. But the party is insisting on being accepted by the long-ruling Christian Democrats as part of an open and explicit parliamentary majority—but not in the government as such.

The Christian Democrats' parliamentary party was meeting here to-night to see if such a formula, ambiguous though it would be, could be acceptable to them, since it must entail increased prestige nationally for the Communists, as well as an enhanced presence in parliament itself—at least in terms of direct influence over policy.

What Sig. Andreotti has in mind, whatever the misgivings of many members of his own party, is to find a formula—perhaps as much of words as anything else—to keep the Communist Party out of the direct governing process while ensuring that the Communists are associated explicitly with the range of tough economic decisions which Italy faces whenever the new government is formed, and whatever its ultimate shape and parliamentary line-up.

ROME, Feb. 9.

## Portuguese talks with IMF in Washington

By Jimmy Burns

LISBON, Feb. 9.

A THREE-MAN team from the Bank of Portugal and the Ministry of Finance and Planning is in Washington to finalise arrangements for the resumption of negotiations with the International Monetary Fund (IMF) for a \$750m. loan.

The visit would suggest that despite the parliamentary motion of rejection facing the new government programme, the administration is fairly confident of a vote of confidence this weekend.

By recognising the need to reduce the country's crippling balance of payments deficit, now standing at about \$1.3bn., the programme presented to Parliament last week, provides a firm foundation for resumption of talks with the IMF.

It stresses, however, that in future negotiations with the Fund, the interests of Portugal will be staunchly defended, noting that an excessively deflationary programme could eventually lead to a "vicious circle of stagnation."

The issues dividing the two neighbours have twice brought them close to war in the last three years and the result has been a devastating arms race which is crippling their economies.

The success of the summit between the two Prime Ministers will depend a lot on the Turkish and Cyprus affairs department of the Turkish Foreign Ministry, which arrived in northern Cyprus yesterday.

## Karamanlis and Ecevit to hold talks next month

BY OUR OWN CORRESPONDENT

ATHENS, Feb. 9.

MR. CONSTANTINE Karamanlis, of the Cyprus issue. Greek and Turkish experts are also due to meet in Paris on February 12 to resume their talks on the delineation of the Cypriot shelf in the Aegean. The experts are studying international agreements and are trying to work out how these can be applied in the Aegean, dotted as it is by Greek islands, many of which lie close to the Turkish Anatolian coast.

Our Nicosia Correspondent adds: The Turkish side to-day started work on the drafting of its constitutional proposals for its settlement but the indications are that these will merely be a "rehash" of the Turkish plan for "federation by evolution" put forward at the last round of intercommunal talks in Vienna in April last year.

The head of the Turkish Cypriot administration, Mr. Rauf Denktaş, chaired a meeting of officials to discuss the draft proposals. Present to assist the Turkish Cypriots were Professor Mustafa Sayar, a Turkish constitutional expert, and Mr. Turgut Tulmen, director of the Greek Cypriot and Cyprus affairs department of the Turkish Foreign Ministry, which arrived in northern Cyprus yesterday.

Prof. Soysal has said that if Turkish proposals will not be accepted, this is a "constitutional paradox" and recalls that when a similar plan was presented at the Vienna talks in April it was immediately rejected by the Greek Cypriots and the settlement talks ended in deadlock.

Greek Cypriots see Turkish ideas on federation as amounting to a disguised form of partition, since there would be two separate states loosely hatched together with a "symbolic" union. The last government would have a new law to prevent a break of the two sectors in the future.

The Turkish proposals, on the other hand, are expected to be conveyed in the Greek Cypriot side at the end of this month or in early March. The Turkish Cypriots will then decide whether they provide a firm ground for resuming the stale peace talks between the two communities under his auspices.

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## French Left divided on tactics

BY ROBERT MAUTHNER

PARIS, Feb. 9.

THE FRENCH Socialist and Communist Parties, whose lead in the public opinion polls has been marginally reduced, remain at odds over their joint electoral tactics. There now seems little prospect that they will agree on a common Government programme, before the results of the General Election are known on March 18.

At a meeting last night, the executive committee of the Socialist Party rejected a proposal by the Communist leader, Georges Marchais, that negotiations on the common programme be held at the latest after the first round of the election.

The Socialists consider that any attempt to hurry through the Common programme at this stage would be interpreted as pure electioneering by the voters.

A vital question mark hanging over the election is whether Communist candidates will stand down in favour of Socialist candidates in constituencies where the latter are in the lead after the first round. The outcome of the election depends on their willingness to do so, since no-one believes the Left can win if Socialists and Communists are still running against each other in the final round.

Though the Socialists have announced that they will withdraw in favour of leading Communist candidates whatever happens, the Communists have so far refused to give a similar undertaking.

Meanwhile, a public opinion poll published by the Paris newspaper Le Figaro to-day indicates a slight gain by the Government coalition parties. While the Left still has a substantial combined lead, its support dropped from 51 per cent in January to 50 per cent on February 3, compared with a rise from 44 to 45 per cent of those intending to vote for the Coalition parties in the first round.

Mr. Aakerman calculates that Swedish factories will be able to sell no more than 380,000-410,000 tonnes a year, of which a maximum of 100,000 tonnes could be placed abroad. These figures compare with a capacity of 660,000 tonnes.

He recommends a redistribution of products among factories but proposes that four should cease hardwood production.

Meanwhile, Mr. Nils Aasling, the Industry Minister, said yesterday his Ministry needed more time to consider the future of Swedish shipyards.

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## OECD price rises ease

BY DAVID WHITE

PARIS, Feb. 9.

THE SLOWING down of inflation in the second half of last year was reflected in consumer price figures released to-day by the Organisation for Economic Co-operation and Development (OECD).

The 12-month end figure for the 24 member countries to the end of December last year was 5.3 per cent, up on the year earlier, down from the 1976-1977 rise of 5.9 per cent. In the second half of the year both unadjusted and seasonally adjusted figures show an increase of about 6 per cent, after reaching a peak of 11 per cent in the early part of the year.

Narrowing gaps with the inflation rates of different countries shows the success of higher-inflation countries, in bringing down their rate of nominal wage increases, the OECD said.

The pattern reflected the severe winter last year in North

America, coinciding with soaring tropical beverage prices and a rally in other non-oil commodity prices, the OECD said. The ending of these special factors, in conjunction with sluggish demand, led to sharp declines in spot commodity prices.

These were particularly pronounced for coffee, with falls of up to 30 per cent, and other tropical beverages. The decline in other non-oil commodities ranged from 10-15 per cent, the OECD said.

Switzerland aliens

The resident foreign population of Switzerland fell to the lowest level for ten years in 1977, writes John Wicks in Zurich. Excluding officials of international organisations, the figure was 932,748, or less than 15 per cent of the total population. This compares with a peak of 1,06m. resident foreigners at the end of 1974.

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## Cutback urged in Swedish fibreboard

By William Dullforce

STOCKHOLM, Feb. 9.

THE SWEDISH wood fibreboard industry must reduce capacity by more than 40 per cent. Four factories will have to close before 1980 and approximately a third of the 2,500 labour force faces redundancy. On the hardwood side, capacity will have to be halved.

These are the main conclusions of the Government-appointed investigator into the industry, Mr. Johan Aakerman. The industry has been using only about 70 per cent capacity and has been running at a loss for the past three years. Last year's loss is estimated to have been about S.Kr.45m. (£5m.).

Among the causes is the decline in Swedish house-building and growing competition on export markets from Southern Europe and South America.

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## Iceland moves to cut inflation

BY JON MAGNUSON

REYKJAVIK, Feb. 9.

THE 13 per cent devaluation of the Icelandic krona is the first of a series of economic measures taken by the Right-of-Centre Government to try to reduce the country's runaway inflation. It is estimated that it would reach 45 per cent by this August if nothing was done to turn the tide.

Foreign currency dealings in Icelandic banks will start again tomorrow. The Central Bank stopped all such dealings more than a week ago.

Mr. Geir Halgrimsson, the Prime Minister, introduced in the Althing (Parliament) yesterday new anti-inflation measures. They are expected to become law to-day or to-morrow.

The causes of the enormous inflation are said to be the devaluation of the Icelandic krona, the competitive and after-dinner day new anti-inflation measures. D-marks will be I.Kr.120 and the French franc I.Kr.55.

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Government economists claim economic officials in the inflation-prone country include 60 to 80 per cent wage increases taken by the Right-of-Centre Government to try to reduce the country's runaway inflation. It is estimated that it would reach 45 per cent by this August if nothing was done to turn the tide.

Foreign currency dealings in Icelandic banks will start again tomorrow. The Central Bank stopped all such dealings more than a week ago.

Mr. Geir Halgrimsson, the Prime Minister, introduced in the Althing (Parliament) yesterday new anti-inflation measures. They are expected to become law to-day or to-morrow.

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## EUROPEAN NEWS

## EC COMMISSION'S INDUSTRIAL POLICY

## Success with 'lame ducks' could promote larger role

BY DAVID BUCHAN IN BRUSSELS

THE EUROPEAN Commission has long had ambitions to play a major role in the industrial policy of the Community. But until recently it had been largely confined to the role of a referee, settling disputes between member states.

However, the Commission's ambitions do not stop there. It is now seeking to play a more active role in the industrial policy of the Community, particularly in the area of research and development.

The EEC Industry Directorate has been busy along these lines since mid-1977. It was the EC Heads of Government who gave the Directorate its mandate last year.

The new spirit of the industry directorate derives much from the buoyant optimism of Viscount Davignon, its Director General.

Mr. Davignon says this is reflected in a recent flood of applications from other Commission services to fill new posts in the 130-man industrial policy department.

But what are the chances of the Commission getting the problem industries to put their "sensitive houses in order"? The Commission's view is that while the industries are clearly too important to be allowed to die, they need to be restructured so that they can pay their way again in the European market economy.

The Commission sees itself as trying to stop member governments, and companies, too, from throwing good money after bad.

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The Commission response is that effective solutions to sectoral crises will require a temporary interruption in the normal redistribution process within the Community, such as the shift of European refining towards its major oil producer, Britain, or the industrialisation of the EEC's poorer regions such as the growth of the infant Irish steel industry. There is also the political point that exceptions for one member state have a way of becoming exceptions for all.

It is hard to deny the Commission a role in these problem sectors, particularly if it plays its cards right and relies more on persuasion than on the legal muscle of its treaty powers. Why not let Brussels decide, can for unpopular, but necessary decisions? But assuming that the Commission comes out of all this with a measure of credit and its "crisis management" skills well honed, does it have a part to play in other sectors of industry?

## Ministers to meet in Copenhagen

By Hilary Barnes

COPENHAGEN, Feb. 9.

DANISH PRIME Minister Anker Jørgensen today sent a letter to President Sadat of Egypt on behalf of the EEC countries. Mr. K. B. Andersen, the Foreign Minister, announced at a news conference today.

Although Mr. Andersen would not reveal its contents, he said that the Middle East would be one of the topics to be discussed at the one-day meeting of the EEC's Foreign Ministers which is to be held in Copenhagen on Tuesday. He said it was unlikely the Foreign Ministers would make any initiatives on the Middle East or issue a new EEC declaration.

Mr. Jørgensen's letter is in reply to that written to the EEC by Mr. Sadat on December 27.

Mr. Andersen announced that during the period of Denmark's EEC chairmanship he will visit Japan on behalf of the EEC to stress the importance attached to improving trade relations with the Far East.

The other two main issues for next week's meeting will be the Belgrade conference on security and co-operation in Europe and Africa. The Foreign Ministers are expected to discuss their attitude to a closing document from the Belgrade conference, if indeed any agreement can be reached on one.

The situation in the Horn of Africa, Rhodesia and Namibia are also expected to be raised at the meeting.

Irish steel plant expansion is still the subject of argument between Dublin and Brussels. In shipbuilding, the text case has yet to emerge. M. Davignon has said the Commission would not allow a repetition of the U.K. Government subsidy used to win the controversial Polish ships order for its new shipyards.

In shipbuilding, the text case has yet to emerge. M. Davignon has said the Commission would not allow a repetition of the U.K. Government subsidy used to win the controversial Polish ships order for its new shipyards. In the petrochemical industry, again far from being in long term decline, but with a present overhang of excess capacity—the Commission is thinking of asking member states to refrain from aiding any expansion for a period of two years. But until it actually does so, it avoids any stand-up fight with Britain, which has every intention of expanding its refineries to process more of its North Sea oil.

In synthetic fibres, the Commission may be near achieving its aim. Last year it asked Governments not to aid capacity expansion for two years. Having got a favourable reaction from most of them, it has now started talking to the 13 major companies in the European market—Montedison and three smaller Italian companies, Rhone-Poulenc of France, Bayer and Hoechst of West Germany, ICI and Courtaulds of the U.K., Akzo of Holland, Fabelta of Belgium and, interestingly, Monsanto and Dupont of the U.S. It wants them to freeze their capacity at September 1977 levels.

Both the Italian Government and industry (mostly state-owned) argue that Italy entered synthetic fibres later than other EEC States and that therefore it is unfair to ask it to make equal sacrifices with the rest. Other member states make the same historical argument in different sectors.

## Schmidt coalition faces test on key issues

BY JONATHAN CARR

CHANCELLOR HELMUT Schmidt's coalition Government is facing early tests on two key issues which have come close to splitting it before—the future financing of pensions and the prevention of terrorism.

If mishandled, either of these could bring severe difficulties for the Social Democrat (SPD)—Free Democrat (FDP) alliance, and conceivably even topple the Government.

At present, Herr Schmidt's sweeping Cabinet reshuffle last

week, bringing new faces and removing some old ones which had become a liability to the coalition, appears to have won widespread public approval.

But this could quickly dissipate if the SPD-FDP allows itself the luxury of a continued squabble on the pensions issue, or fails to vote solidly behind proposed anti-terrorism measures due to come before the Bundestag next Thursday. There is some danger that either or both could happen.

At stake on pensions is how to secure solid financing in an

era of slower economic growth. Contributions to pensions funds have fallen with the economic growth rate and the increase in the number of unemployed.

The Government is now faced with the prospect of a huge deficit in the early 1980s unless it either cuts the increase in the annual payout, or raises contributions to pensions insurance, or does a bit of both.

The coalition partners have long been arguing over the solution. Leaders held a three-hour meeting on the topic

under Herr Schmidt yesterday. No answer is palatable but delay gives ever greater scope to the opposition to play on the coalition's difficulties.

It was the pensions issue which bedevilled the first days of the SPD-FDP coalition following the general election.

On terrorism, the Government is preparing to put before Parliament a package of measures which is insufficiently strong for the opposition and quite possibly too tough for the SPD's left wing.



Chancellor Helmut Schmidt

## PRINTING INDUSTRY DISPUTE

## A question of technology

BY ADRIAN DICKS IN BONN

Negotiations began in November 1977 and continued until last month. During this time the employers and union representatives managed to work out the main provisions of an agreement that might, had it been adopted, have served as a model for other industries in West Germany.

The issue is the introduction into newspapers, magazines and general printing of computerised, cold-type setting and composing technology to place of hot metal. It has not proved easy to resolve in any country where a situation comparable to that in West Germany exists—the determination of craftsmen with skilled jobs under the hot-metal process to hold on to their present levels of wages and their high status in spite of the abolition of most of the equipment they now work with and the introduction of the new technology.

Serious talks between the three employers' federations and the unions began late in 1975. These were followed in the spring of 1976 by a series of representatives of the four very different unions (DVG and two others representing white-collar, and the DAG and the HBV) had given its assent to the draft line is directed against Herr

Maiblen and his colleagues, they are in no doubt that it is present power IG-Druck holds through its members' craft status should be maintained perpetually. They want to see the setting and keyboard work under the new technology formally designated as a clerical occupation.

What has evidently encouraged the employers to take a hard line has been the agreement of the DAG and the HBV, the two clerical unions, to sign the contract rejected by IG-Druck. This would appear to open the way for the stalling of new cold-type printing plants by members of these two unions, and for the by-passing of IG-Druck.

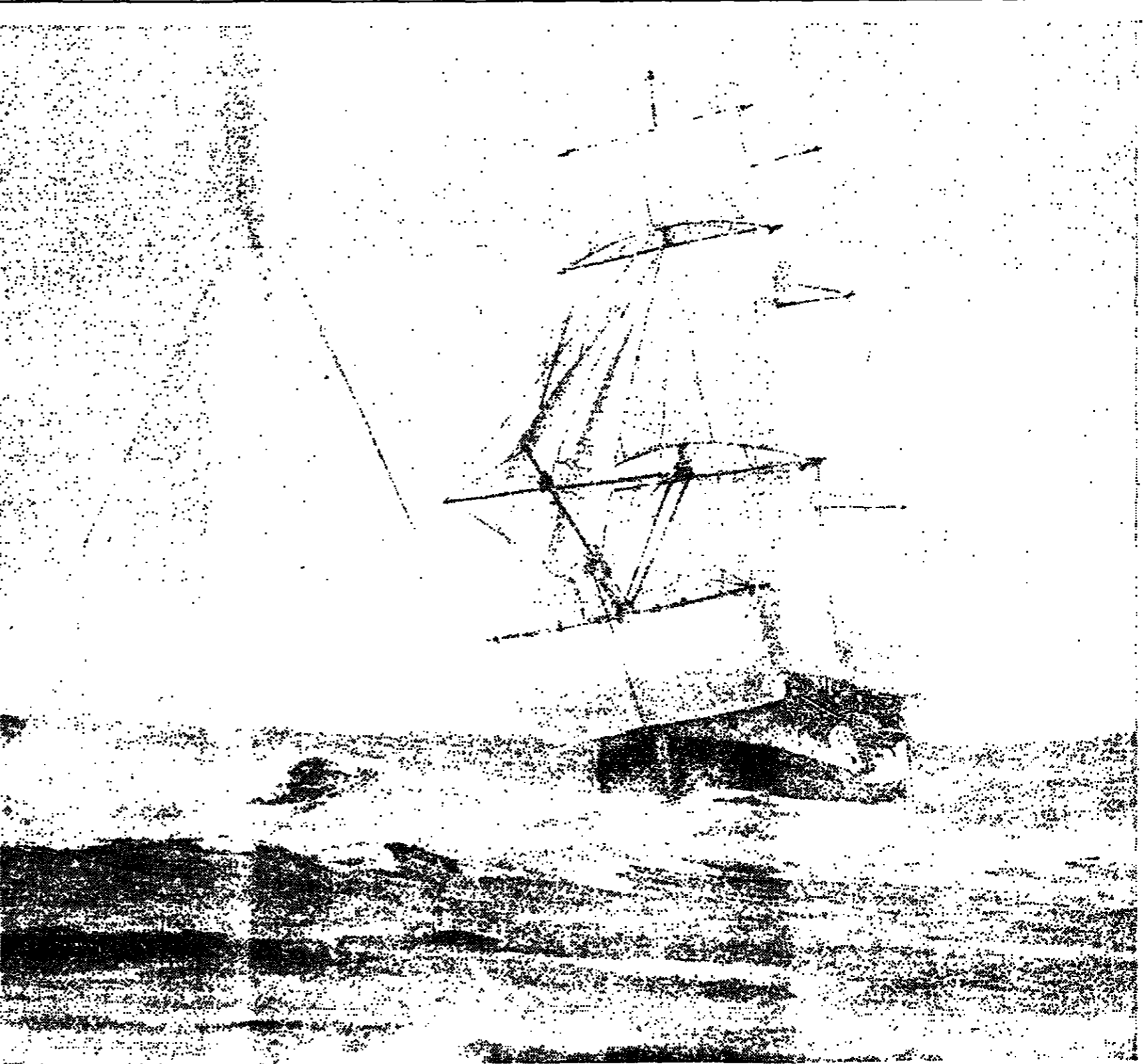
The DAG leadership, in a statement of its own, has bitterly attacked IG-Druck for selfishly refusing to consider the interests of any group of workers involved in the lengthy negotiations apart from its own members.

There is still a question mark over how the DVG, representing most journalists, will decide to react, as well as over the degree of support that IG-Druck might have to get from the Deutsche Gewerkschaftsbund, the counterpart of Britain's TUC. As both sides prepare to dig in for a long struggle, the advantages seem mainly to lie on the side of the publishers.

Further, the union wants absolutely firm guarantees that it will be able to control future entry into all the jobs concerned, and that the jobs themselves will continue to be classified and paid as craft jobs.

The employers' companies this autumn successfully to the fulfilment of the railwaymen on the footplates of electric locomotives, and they have warned the printers that the package agreed last month must be taken or left as a whole. The package is, on any reckoning, a generous one.

It guarantees that no skilled printer will lose his job and that IG-Druck members will have



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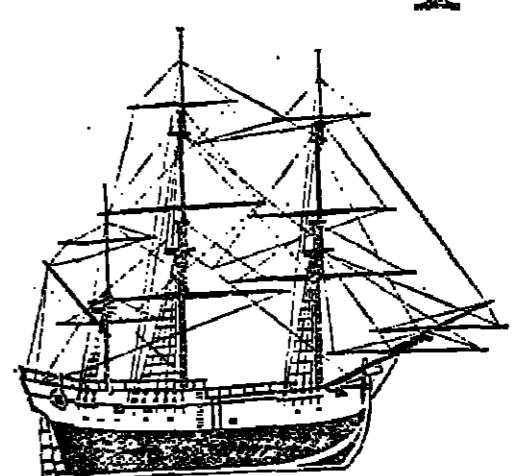
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## OVERSEAS NEWS

## ETHIOPIA

## Conflict within and without

By James Suxton in Addis Ababa

WAR AND revolution in Ethiopia are proceeding at a furious pace. Yet the one seems almost independent of the other. While the armed forces, including large contingents of militia, fight to regain the Somali-occupied Ogaden and stave off secessionist guerrillas in Eritrea, a campaign officially described as "red terror" is being waged in the capital against the regime's internal enemies.

The "red terror" can mean arrests, deportation to the countryside for farm work or, in some cases, death. The bodies are left on the streets for an hour or so next morning as a warning to Ethiopians to support the military Government and its Marxist-Leninist policies.

There is considerable elation about the success Ethiopian forces are reported to be having in the Ogaden. Yet hard news is sparse and what there is can do little to dispel the tension and fear of a city where countless families have lost sons and husbands, not only in battle, but in Addis Ababa where they were considered counter-revolutionary. Unofficial figures put the number of victims of red terror at up to 700. Some estimates go higher.

## Gains

Nothing is done to conceal this gruesome aspect of the latest phase of the revolution. Past outbreaks of bloodshed on the streets have at times been officially acknowledged as mistakes, but the red terror is stoutly defended as essential to protect the gains of the revolution. Four years have been considered counter-revolutionary. Unofficial figures put the number of victims of red terror at up to 700. Some estimates go higher.

The gains of the revolution are in fact considerable. The abolition of landlords in a country where up to three quarters of a peasant's produce once went in rent has greatly improved life for farmers. The establishment of associations both for peasants and urban dwellers has created a basis for self-help in such projects as protecting agricultural land against erosion and building rural schools. In the towns, it has enabled kindergartens, cottage industries, sports grounds, health clinics and literacy campaigns to be established in a sudden surge of activity to end centuries of backwardness.

But no revolution could expect in four years to make more than a small impression on the economic dualism of this country where a small, modern sector exists side by side with some of the world's worst poverty. The turmoil has released the latent forces of separatism in this highly diverse land, while Ethiopia's pre-occupation with revolution last year enabled both the Somalis in the east and the Eritreans in the north to make sweeping military gains.

The red terror campaign called last autumn to counter "white terror" is in fact a power struggle which the military leadership and its preferred group of civilian Marxist-Leninist politicians appears for the moment to have won. The Ethiopian Revolutionary People's Party (ERPP) believed to be responsible for the assassination of government officials, is by all accounts drastically weakened. Several, though by no means all, its leaders have said to have defected or been caught.

## Confidence

Ethiopians who are not versed in Marxist-Leninist phraseology (hundreds have been sent for ideological training in Eastern Europe and the Soviet Union) rarely seem to open their mouths these days; and the Derg—under its chairman, Lt. Col. Mengistu Haile Mariam, can feel secure enough, leaving aside personal rivalry, to attend primarily to directing the war.

Ethiopian confidence has been boosted by the immense help it has received from the USSR and the other eastern bloc countries which have in the past few months poured weapons by sea and air. But some claim that the reported 3,000 Cuban military personnel in the country engaged in frontline combat are strenuously denied here.

The estimated 750-1,500 Russian military advisers, on the other hand, do little to conceal their presence. Their sophisticated radio station is in the outskirts of the city and they can be seen around the entrance to the Ministry of Defence and the Grand Palace, the Derg's headquarters. Ethiopians know the Russians have so far done them a good turn but naturally want to retain their independence. But in the view of Western observers here, the Russians may be here for some time to come.

## Pulp mill contract

Rauma-Repol Oy has signed a contract for the delivery of the machinery for a pulp mill in Ethiopia, south Oromia, Lamei Keyworth writes in Helsinki. The contract, worth \$15.7m (over £3m at the current exchange rate) calls for completion of the machine deliveries by January, 1979. The planned annual capacity of the mill is over 100,000 tonnes of bleached pulp. Installation work is to be completed by the end of 1979.

## Prospects improve for a major loan to help Zaire

By Mary Campbell

MAJOR developments in Zaire's long-running fight to solve its external financial problems may be in the offing. An IMF team has been in Zaire preparing a third stabilisation plan and there are now prospects that the long-mooted \$200m-\$250m international bank loan to keep its export industries going will be signed in mid-March.

The Governor of Zaire's central bank is currently in Brussels. It is believed that the question of further aid from the Belgian Government is under discussion. He is also dealing with the documentation for the Eurocurrency loan.

The IMF, according to international bankers, sent an advance mission to Zaire last month to help prepare the statistical and other information necessary before decisions could be taken on Zaire's third stabilisation programme.

Last April, two financings

totaling about \$93m, were concluded with the IMF: an SDR\$35m standby credit and an SDR\$58m compensatory financing. Both of these were for a year and would have to be repaid or renegotiated before April.

At the end of last year Zaire had not yet drawn about SDR\$40m (about \$53m) of the standby facility.

The programme is expected to involve further drawings on the IMF. There is considerable speculation in international banking circles over the conditions the IMF is likely to lay down.

Some sources suggest that, given the lack of success of the two previous programmes in anything but the short term, the IMF may go for a more stringent and longer-lasting programme this time round.

One possibility is that a more or less permanent IMF mission may be set up in Zaire to help with institutional re-organisation during a programme which could

last for three years.

There is some speculation that Zaire may devalue its currency. There have been rumours that it is considering a substantial devaluation.

Zaire cannot cut its essential imports so a devaluation would be unlikely to help the balance of payments by cutting imports. But it could give a momentary boost to exports by releasing stocks of coffee held up-country by people awaiting a devaluation.

The position on the Eurocurrency loan is that a management group is in the process of being formed. The first meeting of banks managing the loan (managers are being expected to provide \$5m each) will be held within the next two weeks.

It is hoped that the loan will be signed by mid-March. It is expected to repay the arrears on its previous commercial bank loans. It can then start using the funds to pay suppliers of essential goods for the export industries.

## Mrs. Winnie Mandela sentenced

By Bernard Simon

JOHANNESBURG, Feb. 8. MRS. WINNIE MANDELA, the wife of imprisoned African National Congress leader Nelson Mandela, was today sentenced to six months' imprisonment suspended for two years on each of two charges of receiving visitors without permission and attending a social gathering in breach of her banning order.

Mrs. Mandela, who was last year banished from her home in Soweto to the small Orange Free State town of Brandfort, was sentenced on three similar charges.

Delivering judgment in a Bloemfontein court, the magistrate, Mr. C. P. J. Steytler, said it was not necessary to find that Mrs. Mandela had conspired with visitors before she could be convicted. One visitor was in her house, he said, it would be difficult to determine whether a conversation had taken place.

Mr. Steytler said it was clear that some of Mrs. Mandela's visitors came to Brandfort last May specifically to see her, and the fact that she undertook not to talk to them did not absolve her. KRUGEREND gold coins sold during January reached an all-time record of 669,000 according to Interpol, the marketing arm of the South African Chamber of Mines. Overseas sales for the month were 661,000 coins and local sales 8,030.

However, it is understood that the aircraft are no longer high on the Government's list of priorities because of the improvement of relations with Pakistan and the belief that Islamabad does not pose the same threat to India that it did in the past.

Nevertheless, if suitable terms are available for manufacture of the aircraft, the Government will go ahead with plans

## Indian air negotiators for Europe

By K. K. Sharma

NEW DELHI, Feb. 9. INDIA'S DEFENCE Minister, Mr. Jagjivan Ram, has announced that a negotiating team is soon to visit Britain, France and Sweden to discuss the proposal for setting up plants in India to manufacture a deep penetration aircraft for the Indian Air Force. Preliminary talks on this have been held with the manufacturers of the Jaguar, the Mirage and the Viggen.

Mr. Ram said yesterday in Madras the decision to acquire the new aircraft was based on the need to replace the Indian Air Force's existing squadrons. It was felt that manufacturing facilities should also be established, he said. Purchase of the aircraft will thus be dependent on licensing rights as well as the willingness of the manufacturers to buy back a substantial part of the components.

However, it is understood that the aircraft are no longer high on the Government's list of priorities because of the improvement of relations with Pakistan and the belief that Islamabad does not pose the same threat to India that it did in the past.

Nevertheless, if suitable terms are available for manufacture of the aircraft, the Government will go ahead with plans

## Wali Khan charge of contempt

By Simon Henderson

ISLAMABAD, Feb. 9. THE MAN considered the most likely candidate to succeed the late Prime Minister, Khan Abdul Wali Khan, has been summoned to appear in the Supreme Court to answer the charge of contempt.

Wali Khan was arrested last July by the military ruler, General Zia ul-Haq, from charges of conspiracy and treason brought by the deposed Prime Minister, Mr. Bhutto. He has since complained at the original Supreme Court decision which upheld a ban on his now defunct National Awami party. A petition brought by a local lawyer had that Wali Khan had brought the Supreme Court into disrespect by saying the court had blackened its face by giving its original verdict 4 years ago.

The editors, publishers and printers of two Rawalpindi newspapers have been summoned with Wali Khan to answer on February 25 the charge of repeating the remarks which the Chief Justice of Pakistan said amounted prima facie to contempt.

A similar complaint brought by a Karachi lawyer, not present in court, was also admitted for hearing, and representatives of three Karachi newspapers which published the remarks have also been summoned.

## U.S. visit boosts Sadat's morale

By Anthony McDermott

THE VISIT of President Sadat of Egypt to the United States appears to have restored his morale and confidence that the U.S. is committed to making intensified and serious efforts to obtain progress in political talks between Egypt and Israel.

This emerged at a Press conference given at Heathrow Airport during a two-hour stopover and in talks with Mr. James Callaghan, the Prime Minister. The two leaders talked alone for 40 minutes and were later joined by Mr. Mohammed Kamel, the Egyptian Foreign Minister, and Dr. David Owen, the Foreign Secretary.

Mr. Sadat had arrived from Washington where he is to have talks with Helmut Schmidt, the West German Chancellor.

The Egyptian President said that before he had gone to Washington he had been "discouraged and discouraged" by the lack of response from Israel. But the U.S. visit had given him encouragement for a new momentum in peace proposals.

Mr. Sadat said he had come to thank Mr. Callaghan for the support he had received from British public opinion for his initiative to make a visit to Jerusalem. He said he had come also to put Mr. Callaghan "in the

full picture" about developments in peace negotiations since the two had last met recently in Aswan. Mr. Callaghan, who has good relations with both Mr. Sadat and Mr. Menachem Begin, the Israeli Prime Minister, has been playing a useful if subsidiary role in negotiations between the two countries.

Mr. Sadat said that Mr. Alfred Atherton, the U.S. Assistant Secretary of State, would be returning to the Middle East to shuttle between Cairo and Jerusalem to prepare for a resumption of the political talks, from

which Egypt had withdrawn its delegation.

He acknowledged that the two outstanding problems in the political talks remained the question of the Palestinians and the Israeli settlements in Sinai. Louis Fares adds from Damascus: The results of the presidential referendum here were announced on Thursday. Ninety-seven per cent of the 4.1m. electors turned out at the polls and of these 99.6 per cent voted in favour of renewing the 7-year mandate of the only candidate, President Hafez Assad.

But if New York has been getting back to normal smoothly, the same cannot be said for other areas of the north eastern United States. New England States, in particular, suffered far greater disruptions, with Boston experiencing a 27-inch snowfall. New York received 17 inches.

On Tuesday there were reports of looting in areas of the city. Last night national guardsmen were on patrol to guard against another outbreak. There were also reports of looting in Providence, Rhode Island, where 38 inches of snow fell and where the state of emergency declared earlier in the week was extended, again yesterday.

The highly vocal opposition to abandoning any Jewish settlements appeared to bite deep into the soul of Mr. Begin. Some observers say he was shocked at the depth of opposition he encountered at a meeting of his own Herut party last month.

Whatever the cause, the Prime Minister began to take an increasingly public hard line on the retention of the settlements. The cabinet approved a decision to "enlarge" the existing Jewish villages in Northern Sinai. This was done in the midst of the negotiations, and its timing shocked not only the Egyptians

## ISRAELI PUBLIC OPINION

ISRAEL HAS slipped back into the familiar concerns of daily living. The seamen and the postmen are on strike. There is a row over the banning of a television film which is bound to excite the public for weeks to come. The feverish piten of peace-making has slowed down almost to the verbal crawl to which the nation is accustomed.

President Sadat's dramatic initiative in November seemed likely at one point to force Israel into making sweeping and far-reaching decisions. But the government responded along traditional lines and the "prospects of a quick breakthrough have faded into stalemate."

The Egyptian leader's taboo-breaking visit to Jerusalem should have prompted from Israel a radical new approach to resolving the Arab-Israeli dispute. But Israel was not ready. Old fears and new aspirations combined to frustrate the spirit of the Sada initiative.

The Jews' long history of persecution makes them cautious and suspicious. Having finally created a state of their own and then captured more land to give it defensive depth, the people are very reluctant to take any risks which they feel might endanger their security.

For thirty years the Israeli nation grew up with the belief

that territory gives security. Suddenly to abandon this concept and to exchange it for the concept that peace depends on the goodwill of neighbours, is too big a mental jump for most Israelis to make within days, or even weeks.

Mr. Menachem Begin, the Prime Minister, epitomises this attitude. He is not against Peace. He would be very happy to sign a peace agreement with Israel's neighbours. But he is against taking any risk to achieve that peace.

The imagination and daring which has characterised Israel's army is matched on the political level by stultifying conservatism. Israel's politicians believe that the country should rely on its own strength for its security. They do not trust international guarantees. They do not want to be dependent on other nations' promises.

Mr. Sadat's call for a new and bold approach to the Middle East dispute evoked both admiration and suspicion among Israelis. They were full of admiration for his personal courage in risking enmity or possibly worse from

his Arab brethren, but they were also suspicious of his motives and fearful that his new attitude would not be shared by his successors.

A large number of Israelis, possibly a majority, would have supported a generous Israeli response to the Sadat gesture. Though few would agree to a total withdrawal from the occupied territories.

The peace plan put forward by Mr. Begin was basically a formalisation of the type of arrangement which Israel has been working towards since overrunning Egyptian, Jordanian and Syrian territory in the 1967 war.

It is not generous. It does not reflect any new thinking; it is cautious; but it expresses the national reserve about territorial concessions. Above all it demonstrates that Israel is not prepared to take the slightest risk in the quest for peace.

The plan came under attack from both the right and left wings of Israeli politics. The right most of them long serving comrades of Mr. Begin, accused

## Brown wary of Marines' plan to build Harriers

By Our Own Correspondent

WASHINGTON, Feb. 9. OPEN scepticism about the U.S. Marines' plan to build up to 450 advanced versions of the Hawker Harrier vertical take-off fighter aircraft was expressed last night by Mr. Harold Brown, the Defence Secretary, in testimony before Congress.

The Secretary, whose reservations about the aircraft have been widely suspected, said: "I left it open . . . I essentially said, 'prove it' . . . It has operational advantages that offset its deficiencies." He was responding to a question about his reasons for cutting the 1979 budget for development of the advanced Harrier from \$160m, as requested by the Marines to \$80m.

He was testifying before a Defence Appropriations subcommittee of the House which has considered the Harrier issue several times. The Marines bought 110 AV-8B Harriers in the early 1970s, but since then, 28 have crashed and 10 pilots in them have lost their lives.

The Marines continue to insist that the crashes have not been the fault of the aircraft but of inadequate pilot training, and are seeking to buy 450 more of a much-altered Harrier built in the U.S. and called the AV-8B.

However, the Defence Secretary has halved the budget for this programme, and only two AV-8B prototypes will be built. Also the Pentagon is proposing to purchase more A-4M Skyhawks and to commit some \$50m to a new programme to investigate vertical take-off aircraft, which would "provide the fleet with multi-mission ships-based tactical aircraft for the 1990s and beyond."

These two programmes have given rise to suspicions that it is now likely that the Pentagon will not go ahead with the purchase of a large quantity of AV-8Bs, which would mean considerable subcontracting and other work for British Aerospace. The current work on the alterations to the Harrier is being done by McDonnell Douglas in California.

The Secretary's reservations about the Harrier are understood to centre on this belief that although it was a great advance when first introduced, the technology has advanced so that it should be possible now to build an aircraft which can do all that the Harrier can and much more. He is apparently not convinced that the AV-8B will be advanced enough for a period ending in the 1990s.

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## New York recovers from heavy storm

By Our Own Correspondent

NEW YORK, Feb. 9. NEW YORK CITY has been recovering from the worst winter storm to hit the city for 31 years. By late yesterday all three major airports in the Metropolitan area—Kennedy International, La Guardia and Newark—had reopened, and this morning rail services on commuter lines into the city and suburbs were back to normal.

The city's main streets, many of which were clogged for days after a snowstorm in January, have been cleared much more quickly this time, partly because of the better warning of the approaching bad weather from forecasters.

But if New York has been getting back to normal smoothly, the same cannot be said for other areas of the north eastern United States. New England States, in particular, suffered far greater disruptions, with Boston experiencing a 27-inch snowfall. New York received 17 inches.

On Tuesday there were reports of looting in areas of the city. Last night national guardsmen were on patrol to guard against another outbreak. There were also reports of looting in Providence, Rhode Island, where 38 inches of snow fell and where the state of emergency declared earlier in the week was extended, again yesterday.

The highly vocal opposition to abandoning any Jewish settlements appeared to bite deep into the soul of Mr. Begin. Some observers say he was shocked at the depth of opposition he encountered at a meeting of his own Herut party last month.

Whatever the cause, the Prime Minister began to take an increasingly public hard line on the retention of the settlements. The cabinet approved a decision to "enlarge" the existing Jewish villages in Northern Sinai. This was done in the midst of the negotiations, and its timing shocked not only the Egyptians

and the Americans, but also a large percentage of the Israelis. Many Jews felt it displayed a lack of goodwill.

The decision on the Sinai settlements, and the determination to continue building more Jewish villages on the West Bank led many people abroad to doubt that the Israeli government has peaceful intentions. Both President Sadat and President Carter were clearly angered.

At home, the opinion polls have been recording a drop in popularity for the Prime Minister, and a drop in the number of people who support continued settlement activity.

Mr. Begin's speeches since assuming office last June aroused American and European Jewish pride. But there is a growing, though still limited feeling that there is a major gap between his declarations and the needs of the moment, and that his hair splitting approach is out of tune with new reality.

This may explain to some extent the upsurge in popularity of Mr. Ezer Weizman, the Defence Minister. He is generally regarded as a straightforward, no-nonsense man who is capable of abandoning outmoded doctrines and taking the gamble needed to bring an end to over 30 years of intermittent warfare.

But there is a long way to go before Mr. Weizman can hope successfully to challenge Mr. Begin, who understands that the bulk of the population prefers the security arrangements it knows to the untried security arrangements it is being offered.

The Prime Minister believes that President Sadat is so convinced that Israel is going to win that he is sticking to the plan which he offered at the summit which he believes Mr. Sadat will eventually have to accept after perhaps a few minor adjustments by Israel.

There is no indication that the Israeli government is currently considering any other options. Only serious American pressure could force a change. But so far Washington has restricted itself to rhetorical verbal and moral scolding.

Only if President Sadat stands firm and the next round of American shuttle diplomacy fails totally, will the Prime Minister come under real pressure. Only then will Israel have to examine other options seriously.

## U.S. seeks 5% growth and expansion abroad

By David Bell

WASHINGTON, Feb. 9. THE CARTER Administration believes that the U.S. economy ought to grow by about 5 per cent in real terms this year to sustain the present economic recovery without exacerbating inflationary and other strains.

Mr. Michael Blumenthal, the U.S. Treasury Secretary, made this clear today in testimony before the Joint Economic Committee of Congress. He also stressed once again that the U.S. believes that "strong domestic economic growth in major industrial societies is a prerequisite to achieving better international balance."

Although Mr. Blumenthal did not mention West Germany by name, his testimony was clearly intended to be another attempt by the Administration to persuade the Germans to expand their own economy faster. This American pressure on West Germany has now become a significant cause of friction between the two countries.

Yesterday Dr. Carl Carstens, president of the West German Bundestag, told reporters in Washington that he opposed deficit spending to stimulate more

domestic growth in Germany. He also implied that continuing American pressure on the German Government to rebale was counter productive.

But Mr. Blumenthal insisted today that it was "important that other strong nations join us in comparable efforts if we are to sustain economic recovery throughout the industrial world." The U.S. fully acknowledged that it had to do more to restrain demand for oil, but it was still determined to keep the economy expanding at a healthy rate.

Significantly, although Mr. Blumenthal argued strongly for the President's proposed \$200m tax cut which, he said, would ensure a "solid" growth for the balance of this year—he scarcely mentioned the President's tax reform plans which Mr. Carter has hitherto insisted are an integral part of the tax cut strategy. This may suggest that the administration is already tacitly accepting that most of these reforms will be quietly smothered by Congress.

The Treasury Secretary said that he was fully aware that large rises in social security

taxes, already approved, and the effect of inflation on tax rates would increase the tax burden of Americans significantly in the next two years. But the tax cut would more than offset this "drag" on the economy without "rekindling inflation."

At the same time the investment tax credit changes and the cut in corporate tax rates should have a significant impact on the capital spending plans of major companies.

Mr. Blumenthal noted that the recent U.S. intervention to support the dollar appeared to have "stabilised" the situation, and appealed to Congress to pass quickly the legislation authorising the U.S. to take part in the so-called "Witteveen \$10bn. supplementary financing facility to help countries with balance of payments difficulties."

This legislation has been taking an unusually long time to wind its way through Congress, and there are now some fears that it could run into serious opposition. Similar legislation has had difficulties in the past, but some observers fear that this time, they may prove less easy to resolve.

## Banks consider phone network

By Stewart Fleming

NEW YORK, Feb. 9. THE AMERICAN Bankers' Association, the U.S. banking industry trade association, is looking at the possibility of setting up a private telephone network to link the 15,000 commercial banks in the U.S. announcement of this investigation is another indication of the potential competition with American Telephone and Telegraph (AT and T) has some measures the largest U.S. corporation, which has an effective monopoly of the U.S. telephone market.

The Bankers' Association has estimated that commercial banks are spending as much as \$500m a year on telephone calls, between 20 and 40 per cent of which are inter-bank calls. AT and T itself has suggested that the figure could be \$700-\$800m in revenues related to banking.

The banks are examining whether they could save money by providing their own service, which would bypass the telephone companies. It could alternatively be based on leased lines.

A factor behind the banks' move could be a prediction that the industry will be making increasing use of telephone services as it modernises banking technology through the increasing electronic transfer of funds.

Already some banks have set up private telephone services for their own use, joining other big businesses which have been testing advance forms of legal decisions which have opened the telecommunications market to competitors of AT and T.

THE POWERFUL supporters of Israel in the U.S. have begun to mobilise in an effort to mobilise some of the damage the have in bringing the longest strike in the union's history to a close, since it gives mine leaders opposing the settlement time to rally support.

The delay in moving from a tentative settlement to final ratification is in itself a problem in bringing the longest strike in the union's history to a close, since it gives mine leaders opposing the settlement time to rally support.

## Dominion Bridge

DOMINION BRIDGE, part of the Canadian Pacific Group, expanding fast in the U.S., earned \$37.5m, or \$C\$5.3 a share in 1977, against \$C\$29.4m, or \$C\$2.77 a year earlier on sales of \$C\$568m, against \$C\$523m. The company has two U.S. subsidiaries, Amca and Amtel; and specialises in steel construction and steel products, our Montreal staff reports.

At one point Mr. Dayan even said that the American Jewish community should keep out of the Israeli negotiations with Egypt. "I hope no American Jewish group will try to help the Carter administration to mediate between Egypt and Israel," he said. He expressed "admiration" for the U.S. mediation role thus far, but said that the issues were for Israel and Egypt alone to settle.

Israel's friends on Capitol Hill have meanwhile already begun an intensive campaign to urge President Carter to scale down his efforts to cancel the administration's apparent commitment to the peace process.

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## Consumer Bill defeated

WASHINGTON, Feb. 9. THE CARTER Administration's proposal to set up a new Government agency specifically to watch over the interests of consumers was soundly defeated in the House of Representatives last night.

The Bill, which would have created a central office with a \$15m. budget to inject the consumer viewpoint into the Government decision-making process, was originally the brainchild of Mr. Ralph Nader, the consumer advocate, and had strong support in the Senate.

However, lobbyists for the U.S. Chamber of Commerce and other organisations successfully persuaded a clear majority of the House that the new agency would

merely add another layer of "red tape" and increase the amount of regulation of business to no purpose.

Mr. Richard Lesher, president of the U.S. Chamber of Commerce, said that the House had heard the voices of American people who are weary of too much government in their lives—too much protection, too much of what other people think is good for them. The defeat of the Bill means that it will almost certainly not be introduced again until next year, if then.

There is no indication that the Israeli government is currently considering any other options. Only serious American pressure could force a change. But so far Washington has restricted itself to rhetorical verbal and moral scolding.

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NEW YORK, Feb. 9. On Tuesday, the council refused to ratify a proposed settlement until full details were available. Yesterday and today, the negotiating teams were working on the final wording, but a further meeting of the council has yet to be announced.

The delay in moving from a tentative settlement to final ratification is in itself a problem in bringing the longest strike in the union's history to a close, since it gives mine leaders opposing the settlement time to rally support.

## WORLD TRADE NEWS

## Japan-EEC trade talks have poor prospects

WILL not be easy to bring the EEC to a mutually satisfactory conclusion, because it has already "exhausted" concessions it can offer to its trade partners in its previous round of negotiations with Japan.

This is the view of the Japanese Ministry of International Trade and Commerce, which is expected to receive a senior EEC delegation in Tokyo next week.

Mr. Miyoshi, director of the ministry, said that the EEC's offer to open up its market to Japanese goods was "exhausted" in the previous round of negotiations.

Mr. Miyoshi's task is to draw up a "balance" on where EEC-Japan trade stands today, and to make recommendations for relief to President Carter by February 24.

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## Decline in Dutch gas exports

By Charles Satchelor

AMSTERDAM, Feb. 9.

DUTCH GAS exports fell slightly in 1977 marking the first decline since 1964 when a major gas producer in the early 1960s. Exports were two per cent. lower in volume than in 1976 at 50bn. cubic metres and were 2bn. cubic metres below planned levels.

Domestic sales rose one per cent. in the year to 41.1bn. cubic metres so that total gas sales were one per cent. lower than in 1976 at 91.1bn. cubic metres. Higher domestic sales of 47bn. cubic metres had been forecast to bring total sales to 92bn.

Gas exports were not expected to begin declining until 1980 as Holland allowed export contracts to lapse so that reserves could be saved for high value domestic use. But sluggish levels of economic activity and the mild winter have depressed sales.

Much depends on the level of economic recovery in the current year but the national gas distribution company, Nederlandse Gasunie, expects total 1978 sales to be about the same as in 1977. This would represent a drop of nearly 8bn. cubic metres on earlier planned levels.

Gas exports were forecast to be around 32bn. cubic metres a year between 1978 and 1980 when they would start to fall off sharply until they cease altogether around 1997.

## Austria awaits Soviet orders

BY PAUL LENDVAY

VIENNA, Feb. 9.

WITH MAJOR Soviet orders in the offing, the Austrian Press centre in Moscow.

It is estimated that such orders alone could total Sch.2bn. Ships, including ice-breakers, machine tools, electrical products and cables are other sectors where the Austrians are pressing for deals.

Two potentially important domains are nuclear engineering, with Austria planning to deliver components for nuclear reactors, and the motor industry. The Steyr-Daimler-Puch company hopes to engage in the joint production of large lorries on the pattern of a similar joint venture with Poland.

According to the annual Austrian trade statistics just published, Austria had a visible trade deficit of Sch.3.8bn. in exports last year. While exports in 1977

were up by 8.5 per cent. to Sch.1.6bn., imports jumped by 11.6 per cent. to Sch.5.4bn. Basic materials and energy accounted for 85 per cent. of the Austrian purchases.

As experts reckon with a rise of the Austrian deficit to Sch.6bn. or even more by 1980, the Austrian Chancellor took the initiative in proposing high level talks about the imbalance.

The final communiqué yesterday on this week's visit explicitly stressed that both sides would strive to put bilateral trade on a more balanced basis. A large Austrian economic delegation headed by Mr. Rudolf Sallinger, president of the Federal Chamber of Economy, will visit Moscow in March to finalise new deals intended to reduce Austria's deficit vis-à-vis the Soviet Union.

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## Causeway plan for Bahrain

By Our Own Correspondent

JEDDAH, Feb. 9.

DESIGN WORK for the vast causeway, which will link the island of Bahrain with the mainland of Saudi Arabia, will be completed within six months.

Majed Jawad Al-Jasbi, Bahraini Minister of Works, Water and Electricity in an interview this week with the Jeddah newspaper, Al-Jazira, said that the placing of the \$825m. causeway construction contract will commence immediately afterwards.

The design work is being handled by Saudi-Danish consultants. Danish experts are preparing design plans for the 13 km. of bridges and 10 km. of causeway, while their Saudi partners have undertaken studies for 10 km. of roads in Bahrain, a further 40 in the kingdom, 13 interchanges and a customs house.

The formation of a Saudi-British consortium to bid for the causeway and a related contract to build a permanent town of 5,000 inhabitants was announced last autumn by Adnan Khashoggi, head of the Triad group of companies.

Seven-Up plan PRODUCTION OF Seven-Up soft drink is to begin early this summer in Egypt, Mideast Report said.

The New York-based publication said the drink would be produced by a newly-formed company called Cairo Beverages and Industrial Co., with capital equivalent to \$15.18m. AP

## Ailing shipbuilders urge state to give relief

DOUGLAS RAMSEY

TOKYO, Feb. 9.

Over-capacity in the shipbuilding industry was not discussed at today's meeting despite earlier reports that Mr. Shinto would push for a plan to scrap between 50 per cent. and 80 per cent. of existing capacity in return for Government subsidies.

Mr. Shinto did, however, press the Government in today's talks to step up its own purchases of vessels (notably for the marine self-defence force) as well as the establishment of a fund to guarantee the yards against foreign exchange losses.

Mr. Shashiki, for his part, gave no reply to-day, nor did he indicate whether the Ministry would press to have shipyards put on the list of "recession" industries covered by legislation now passing through the Diet which might ultimately afford special subsidies to the ailing sector.

Ironically, Mr. Shinto does not represent the smaller shipyards which have so far borne the brunt of recession in the Japanese industry.

Shin-Yamamoto Dockyard, like 100 or so other small shipbuilding companies, are not represented by the shipbuilders' association but, taken together, the small yards account for 3m. gross tons annual capacity, or more than 75 per cent. of total Japanese new building capacity.

Shinto also proposed that Government extend incentives for a "scrap-and-build" scheme, to encourage domestic scrap of old vessels and order new ones.

According to Press reports, a date set for China pact

Foreign Ministry has announced that Japan and China have agreed a long-term trade agreement in Peking on February 10.

The pact will boost their two-way trade by \$200m. over eight years. The agreement will run from 1983 and will involve exports by Japan of Chinese oil and coal, and exports of Japanese plant, construction materials and equipment.

China can have computers

DAVID BELL

WASHINGTON, Feb. 9.

COCOM has accepted a series of conditions specified by the U.S. will shortly take delivery of first major computer system to the west.

The Chinese have bought three IBM computers at a cost of \$12m. for use in weather forecasting, but the sale was delayed while its strategic implications were considered by the U.S. co-ordinating committee for export controls on strategic goods (Cocom) which based in Paris.

Members of the committee are understood to have reservations about the sale, because, as originally used, the computer could capacity in excess of their location. In the past, Cocom objected to some computer recently the sale of a CDC computer requested by the USSR and which was also used for meteorological purposes.

On this occasion, the U.S. played a leading role in Cocom, proposed that the Chinese be allowed to reduce the capacity of the computer's auxiliary devices and also the stationing of Hitachi technicians on site in China for a year to make sure that the machines are not used for any purposes.

has become common for

Cocom to insist that technicians be used in this way, so that the organisation can at least be sure that, for the first three years of its life, a computer is not used for other than the stated purpose.

Siemens, IBM, ICL and control data are among the companies which have stationed technicians abroad in line with this policy.

It is conceded here that it is difficult to draw the line between computers like the one sold two years ago for an Aeroflot reservations system, which are for peaceful purposes and those which can be used for defence.

In practice, Cocom officials acknowledge that most computers can easily have military applications, but they do not consider this to be a sufficient reason to ban sales.

Cocom is composed of 14 leading industrial nations which have agreed that the sale of any equipment considered to be strategic must be unanimously approved.

# 'a new firm every 13 days'

When they told me this was the rate at which firms had taken new premises in Northampton since 1971, I was impressed, but sceptical. "Check it again just to make sure," I said. Then I learnt the truth.

"We will have to qualify it a bit," I was told. Ah, I thought, caught them out.

"We can't just say Northampton," went the excuse, "because it really only relates to our four new employment areas."

"That's no good," I said, "We're a partnership town where the Borough Council and the County Council work with us. We can't refer to just our own land."

"We could get figures from our Borough partners for their employment land at Lodge Farm, St James Mill Road and so on," it was suggested.

"But then there's all the private land. And then there are all the office developments where people like Barclaycard, Diversey and Rockware Glass have established their headquarters. And then there's Carlsberg's brewery and all the new shopping firms in the Grosvenor and Weston Favell Centres and..."

I just had to stop them. Well I mean it was taking things too far. We might have finished up with some ridiculous figure like a new firm every so many hours. So I said we would have to come clean and say it would mean too much research to get it accurate. We would just have to admit that Northampton is better for business than we can show. So that was what we decided. Of course, it's better for other things as well, but that's another story.



For further details phone 0604 34734 or write to: L Austin-Crowe, Chief Estate Surveyor, Northampton Development Corporation, 2-3 Market Square, Northampton NN1 2EN

## Northampton—better for business

## HOME NEWS

## Sun Alliance to raise motor premiums despite pay row

By ERIC SHORT

SUN ALLIANCE and London Insurance Group intend to push ahead with its proposed increase in motor premium rates from April 1, in spite of the dispute with the Government over its pay settlement.

Mr. Geoffrey Bowler, chief general manager, reaffirmed yesterday that this rise would be implemented as planned. The Department of Trade had approved the increase last autumn in the normal way, he said.

The company considered this rise as a normal commercial operation and in no way affected by the recent request by the department to consider a cut in its premium rates. It had been thought that the department might block the increase, but yesterday it was not prepared to comment.

Sun Alliance proposes to make its staff pension scheme non-

contributory. The effect of this when combined with a pay in crease, will take its wage settle ment beyond the 10 per cent limit.

The company claims that this is allowed in the lifting of restric tions on pension scheme im provements, but this is disputed by the Government. The Depart ment of Trade is seeking to im prove the provisions of the Coun ter-Inflation Act, 1973, to reduce the company's overall premium income by the amount of the alleged excess payment.

The company previously in creased its motor premium rates on April 1 last year by an aver age of 8.6 per cent. It has now become established that motor insurers revise their motor rates every 12 months to take account of the cost and frequency of claims. However, Mr. Bowler was not prepared to comment on how much rates were being in-

creased by this time beyond say ing that it was a variable figure.

Sun Alliance insures nearly 300,000 motorists and is not a leading private motor insurer. Figures being circulated in the market suggest an average in crease of 12½ per cent, for standard private motor business and 18 per cent, for its special plan, providing limited compre hensive cover.

The British Insurance Associa tion has agreed with the Depart ment of Trade on a formula for assessing motor premium rate in creases. This has been in use for at least five years and takes into account such factors as the incidence of claims, their aver age cost, expenses of the account and the expected rate of inflation over the period under considera tion. The inflation rate is usually based on that provided by the Economic Advisory Group to the

association.

Sun Alliance almost certainly would have followed this pro ce dure. In the past, motor in surers have found the depart ment most helpful in dealing with rate increases.

Last year motor premium rates rose by an average of 18 per cent. So far this year only two main motor insurance companies have announced rate increases. General Accident lifted its rates by 9 per cent on February 1, and Bradford-Pennine, a member of the Phoenix Group, by an aver age of 12½ per cent, for private motorists.

Guardian Royal Exchange and the Co-operative Insurance Society—two other big insurers—se due to revise rates on April 1, but have still not decided on the final amount of increase, although Department of Trade approval has been obtained.

## Steel stocks at five-year 'low'

By ROY HODSON

STOCKS OF steel have fallen to their lowest levels for five years, reflecting the deep inter national slump in demand.

Meanwhile, steel production in Britain averaged 331,300 tonnes a week in January—29.5 per cent down on January last year, according to joint figures pro vided by the British Steel Cor poration and the British Inde pendent Steel Producers' Asso ciation.

Steelholders are reporting re ductions of stock in their ware houses to a fraction of the levels normally maintained for trading. Industrial customers are cutting

their steel inventories and rely ing on the ready availability of steel to maintain a flow of raw material to their plants.

New Department of Industry figures reveal that stocks of steel held by industry and stock holders fell to 19.8 weeks supply at normal usage during the fourth quarter of 1977. The usual level of stocks in Britain has been about 18 weeks usage.

Consumption of finished steel in Britain fell to a low level, provisionally estimated at 3,888,000 tonnes, the last quarter of last year. This compares with 3,988,000 tonnes in the third quar-

ter and more than 4m. tonnes during the final quarter of the previous year.

At the end of last year, con sumers' stocks of steel on hand were 4,088,000 tonnes and stock holders' stocks 9,988,000 tonnes.

Imports of steel rose steadily during the year from 0.6m. tonnes in the first quarter to 0.83m. tonnes in the last. Imports are expected to fall sharply dur ing the present quarter, how ever, as the Davignon plan and British ban on imports of Russian steel begin to bite.

British Steel's policy of load ing available orders for steel on to its best plants, while continu ing to negotiate with the unions for the early closure of several old plants shows up sharply in the latest area steel output figures.

In Scotland, where many old plants are short of work, British steel production averaged only 22,200 tonnes a week in January compared with an average 37,400 tonnes a week last year and nearly 36,000 tonnes a week as late as last December.

Production in Wales (mainly strip steel) averaged only 70,000 tonnes a week in January.

## New battle in grocery price war

By Our Consumer Affairs Correspondent

THE BAT Industries super market subsidiary International Stores is expected to launch a major initiative in the price war among grocers on Monday. The promotion is thought to involve price cuts on a range of branded items and, an extension of International's own range of Plain and Simple non-branded products.

The move, heavily backed by advertising, follows a warning from the chairman of International Stores last week that the price war was going to reduce supermarkets' profits severely.

It is understood that International new package will involve an overall reduction in gross margins. There has been speculation that International, which was one of the chains to pick up the Green Shield trading stamp franchises dropped by Tesco last summer, could not afford to trade on lower margins as well as giving stamps.

The indications are, however, that International will continue giving stamps for the time being and that Green Shield, which is itself to launch a new catalogue on Monday, will be involved in the new promotion.

## Accounting plan may be voluntary

By John Moore

THE GOVERNMENT is exploring ways of how current cost-accounting proposals could be made voluntary for a trial period for small businesses until the future taxation treatment of stock becomes clearer.

Speaking at a chartered accountants' dinner last night, Mr. Kenneth Sharp, head of the Government Accounting Service, said that small businesses with a turnover of less than £1m. would be required to prepare one set of accounts only.

"The profit and loss account would be drawn up at present to show historical cost profit, but would then lead, through a cost-of-sales adjustment and an additional charge for depreciation, to current cost profit."

The Government is still con sidering the format of the balance sheet, which may be de signed to include both historical and current cost of fixed assets and stock. The latter values are normally calculated by use of indices.

Cost of sales adjustment would normally be calculated by the averaging method, applied on an annual basis.

The Government is considering whether it is appropriate to recommend a gearing adjustment for small businesses.

## Retail Consortium forecasts 10% rise in prices for year

By ELINOR GOODMAN, CONSUMER AFFAIRS CORRESPONDENT

THE RETAIL trade forecasts that prices will rise at an average of 10 per cent this year and although consumer spending will improve, many sectors will have a hard time.

Profit margins will remain under pressure and, as a result, retail investment will recover more slowly than might be expected at a time of increasing sales.

The Retail Consortium, which says it represents more than 90 per cent of retailers, is asking the Chancellor to cut direct taxation in the Budget to give new relief for investment in re tailing, and introduce a single rate of VAT. It also wants bad debt relief for VAT and changes

in Capital Gains Tax to help small businesses.

In its newsletter, the consor tium says that retail sales were very depressed last year and that margins were eroded.

Increased competition among multiple retailers, it says, has tended to exert even greater pressure on the independent trader. In many sectors "the rate of store closure is giving cause for concern."

It forecasts that retail costs will rise faster than the prices of the goods sold in the shop this year. While it acknowledges that the trade will benefit from a real increase in consumer spending, many sectors "will continue to suffer hardship."

The recovery in consumer spending, it says, has been slower than anticipated because of the delays in wage settle ments and some stimulus should be provided over the next few months.

The consortium takes a gloomy view about employment. The Government's hopes for in creased employment may not be realised, for, even if there is an improvement in investment, some of this will be in plant which is less labour intensive than that which it is replacing.

The overriding need, the con sortium says, is to reduce direct taxation. This is the only way to achieve sustained economic growth.

## Scottish CBI says wage drift could bring rise in inflation

By RAY PERMAN, SCOTTISH CORRESPONDENT

INFLATION COULD be rising again by the end of the year, unless the drift of wages settle ments upwards from 10 per cent is resisted, the Confederation of British Industry in Scotland warned yesterday.

The Scottish Council expressed concern about deals now being negotiated, particularly the one in the engineering industry. Mr. Alan Devereux, chairman, said that the offer made by the Engineering Employers' Federa tion, even if it was accepted by the unions, could be extremely inflationary.

"There is no doubt at all that the rate of inflation is going to fall to 8 or 9 per cent. But it is equally certain that, with the way wages levels are pushing against the ceiling, we are going to have a higher rate of inflation before very long."

Mr. Devereux said that CBI members were encouraged by

the decision by miners' negotia tors to accept 10 per cent, and by the fact that nine out of ten Scottish workers who had settled so far had accepted 10 per cent or less.

Nevertheless, employers wanted new safeguards during the next pay round. Settlement dates should be synchronised and there should be an attempt to reach a national consensus about what the community could afford to pay.

The Council also called for a restoration of the balance of power between employers and unions. Companies should aim for greater solidarity, unions should be made more account able and the Government should review income support to strikers so that strike action became a last resort rather than a first resort.

The Council also condemned Government sanctions against

employers who break the pay code. "We are sympathetic to the Government's aims but it should give more power to industry rather than clobbering firms for exceeding a pay policy that is not very well defined."

"The economy is balanced on a knife-edge and it would not take very much to push it over into a wages explosion."

£2.5bn. keeps workers warm

IT COSTS about £2.5bn. a year to keep Britain's workforce at the statutory maximum level of warmth, according to the monthly publication, Energy Manage ment.

The magazine published by the Department of Energy, says that most buildings were designed when energy was plentiful.

## Distillers to appeal over ruling

By KENNETH GOODING

DISTILLERS COMPANY is to appeal against the European Commission ruling that some of its trading practices were unlaw ful.

The Commission's decision led to price increases on some brands in the U.K. and Johnnie Walker Red Label and Dimple Haig being withdrawn from the British market.

Distillers said last night it would take the case to appeal at the European Court of Justice in Luxembourg. The matter "is of such commercial importance, we feel it should be tested by law."

The appeal could take from 18 months to two years and, in the meantime, the ruling will make no difference to U.K. consumers.

"It does not affect the com mercial decisions we took im mediately following the findings of the EEC Commission last December," Distillers said.

Threats of further Commission action against Distillers seem to have subsided. These appeared to relate to Distillers' threat to withdraw further brands from the British market if its price increase application had been turned down by the U.K. Price Commission. But the increases benefit.

were given the go-ahead with minor changes.

The legal arguments in Luxembourg's contention that Distillers' contention that "free trade" regulations in the EEC competition law by oper ating a dual-pricing system for Scotch in the U.K., other regula tions permitted its actions.

Specifically, Article 35 (3) permits some practices if they help to increase the production or distribution of the product in question, while allowing con sumers a fair share of the

## U.K. car figures drop in January

By Our Industrial Staff

THE IMPACT of prolonged strikes at Mercedes car plants is reflected in produc tion figures for January, released yesterday by the Department of Industry.

Provisional estimates of U.K. output of cars for the four weeks to January 28 are put at 113,000, compared with 121,000 in the equivalent month last year.

Production was hit by the press shop strike by 1,000 Ford workers at Halewood, which is estimated to have cost around £30m. in lost output of Escort cars during January.

The strike at Leyland Cars' Triumph plant, Speke, meant that no TR7 or Dolomite models were built during the month.

Failure of U.K. manufac turers to produce vehicles was one of the main factors allow ing imported cars to capture more than 30 per cent of the home market last month for the first time since last September.

However, the Department of Industry figures show that output on a seasonally adjusted basis for the three months to January this year was 3 per cent higher than for the pre vious three months.

## Leyland bus warning on manning

By Terry Dodsworth, Motor Industry Correspondent

A WARNING that manning levels will come under "close scrutiny" in the heavy vehicle division of the Leyland Truck and Bus business was given yesterday.

It was contained in a critical analysis of the division's per formance in the latest edition of the company newspaper.

This points out that Leyland has been unable "to match the sales efforts of its competitors" in recent years, and has suffered a fall in its market share from 17 per cent in 1973 to 13 per cent last year.

It goes on: "In a nutshell, 1977 was not a good year for the heavy vehicle division. Nearly 1,800 vehicles were lost as a direct result of damaging strikes, while strikes at suppliers caused further disruption."

"Manufacturing efficiency was lower than levels which were achieved in the past and targeted improvements from investment in new machines were not achieved."

"In 1977 the division achieved 69 per cent of its production programme, a shortfall which represents the loss of customers, spares sales and repeat orders to competitors, and a serious dent to profitability. This, of course, means borrowing more heavily to finance investment programmes."

## Peugeot starts finance concern to aid sales

By Terry Dodsworth

PEUGEOT U.K. is establishing new financing facilities for its dealers and customers in Britain as part of the expansion cam paign which led to a sales growth of 25 per cent for the company last year.

A new company, a subsidiary of PSA, Peugeot Citroën and Mercantile Credit, is to be called Anglo French Finance.

It will begin trading within about three months and will offer facilities to dealers to finance wholesale stock, and to customers for the purchase and leasing of Peugeot vehicles in the U.K.

Peugeot also announced yester day that it is to enter the light commercial vehicle market in Britain with its van derived from the 304 car.

SKODA, the East European car manufacturer, has entered the competitive battle for cheap car finance with a scheme for free credit for customers buying Skodas between now and the end of March.

The scheme, which is similar to one already launched by Colt, the Japanese car importer, will be operated in conjunction with United Dominion Trust. For one-year hire purchase agree ments there is no interest charge. On two-year agreements the flat rate of interest is 4 per cent.

## CEGB to build nuclear station in Lancashire

By David Fishlock, Science Editor

THE Central Electricity Generating Board confirmed yesterday that it plans to build its next twin-reactor nuclear power station at Heysham, Lancashire.

Its decision follows the Government's announcement last month authorising the Board to order one advanced gas-cooled reactor (AGR) station as soon as possible.

The CEGB was granted statutory planning consent and a nuclear-site licence in 1969 for four AGRs at Heysham, having a total capacity of about 2,500 MW.

Work began on the first two reactors in 1970, the first of which is expected to be in com mercial operation early in 1981. At the peak of construction of the new reactors, towards the mid-1980s, 1,800 people are expected to be working on site.

## British Airways' profits hit by industrial disputes

By MICHAEL DONNE, AEROSPACE CORRESPONDENT

PROFITS for British Airways in the first nine months of the 1977-78 financial year dropped sharply because of industrial disputes culminating in last autumn's air traffic control assistants' strike, which cut air traffic to and from the U.K. by 40 per cent.

Announcing its financial results for the nine months to the end of September, the airline said yesterday that total revenue was up from £930m. in the comparable period of the previous year to £1,010m. because of increased summer traffic and some higher fares.

But the gross profit before interest and tax, was down from £107m. to £89m., and the net profit from £36m. to £35m.

For the third quarter of the financial year—the last three months from October to December—revenue was up from £288m. to £313m., but the gross profits dropped from £23m. to £18m., and the net profit from £6m. to £5m.

The nine-month results also cover the period during which the airline was operating with a reduced fleet. Its 25 Trident 3s were grounded after the discovery of fatigue cracks in their wings.

The effects of this were masked by the reduced flying caused by the air traffic control assistants' strike. But the airline has to charter aircraft from other operators to make up the number of seats.

British Airways said yesterday that the sharp fluctuations in exchange rates for foreign currencies during the first nine months did not affect the operating results, but the recent weakening of the U.S. dollar has eliminated any charge to profits in the period on long-term borrowings.

## Boeing men meet U.K. executives

A TOP-LEVEL team from Boeing yesterday met senior executives from the U.K. aerospace industry and Government officials to discuss the U.S. company's proposed new airline programmes for the 1980s, writes Michael Donne, Aerospace Correspondent.

The talks included Mr. Tex Soullion, president of the Boeing group's Commercial Airplane Company, senior executives of Rolls-Royce, led by Sir Kenneth Keith, chairman, the National Enterprise Board, British Aerospace, British Airways, and the Departments of Industry and Trade.

The meeting was primarily intended to give U.K. officials their first briefing on Boeing's plans for new civil airliner programmes for the 1980s and beyond.

They will now be able to assess the Boeing plans in greater detail, with a view to possible purchases by British Airways and other U.K. airlines, and possible collaboration with Boeing on manufacture of aircraft involved.

Although no details of Boeing's submissions have been revealed, it is understood they involve two new aircraft—a twin-engine, medium-range 180-200 seater, described as a "727 derivative," and a replacement for the short-range 737 jet, also twin-engine, seating 140-160 passengers. Rolls Royce wants to get its engines into both programmes.

Boeing believes that the world market for the 727 derivative aircraft could amount to 750, of the 737 derivative to 1,000. The market for the 737 derivative could amount to 500 to 800 aircraft.

## Bechtel wins £30m. contract at Gulf Oil refinery

By KEVIN DONE, INDUSTRIAL STAFF

GULF OIL has awarded a £30m. contract to Bechtel Great Britain for new units at its Milford Haven refinery.

The contract will cover all the work required in the Gulf re finery to provide the company with a share of feedstock for the £290m. refinery expansion, being under taken jointly with Texaco.

Bechtel was the main contrac tor for the construction of the company's original refinery in 1968.

The new contract is for a vacuum distillation unit, a sul phur recovery plant, new tank

age and storage units, and asso ciated off-site facilities.

But the main part of the £290m. project, the building of a catalytic cracker to convert fuel oil into petrol, will be con structed as part of the Texaco refinery on the opposite bank of the Milford Haven waterway.

Shell and Amoco have placed orders worth £15m. for a series of gas turbine compressor pack ages for the Leman and Amoco refineries in Britain.

Indefatigable gas fields in the southern sector of the North Sea, the main contract has gone to Cooper-Bessemer, but, Rolls day to \$5,000 barrels.

Royce has received a major slice with £8m. order for eight RB 211 engines.

The RB 211s will be used for natural-gas compression duty at the 50 miles off the English East Coast.

Another U.K. contract, Procon—a subsidiary of the Procon International—has been awarded the £25m. (£12m. of gas turbine compressor pack ages for the Leman and Amoco refineries in Britain).

The price of each form of energy should not be based on any artificial principle, he says, such as alignment with the oil on a basis of heat content. The price should reflect real costs. To base all energy prices on a principle of parity would "destroy competition and encourage inefficiency" (Energy Pricing, Energy Commission Papers 9 and 10).

## Boeing 727 is world's best-selling jet

THE Boeing 727 short-to-medium range jet airliner is now the world's best-selling jet airliner. Orders topped 1,500 this month, with an order from Air Canada for five of the advanced version of the jet, worth over \$70m.

The 1,500th aircraft order was received by Boeing 14 years to the day after the first 727 entered service on February 1, 1964 with Eastern Air Lines of the U.S.

The aircraft continues to sell all over the world. During 1977, orders for 727s totalled 134, and there is a backlog of 188-un delivered aircraft.

The 1977 order for the 727 represented 38 per cent of all free-world commercial aircraft sales for that year.

April start for new airline

THE merger of the two existing of Air New Zealand, Mr. G. Keppel, chairman of Air New Zealand, will be the deputy chair man.

The new airline will have a fleet of eight DC-10 jets, two DC-10s, nine Boeing 737s and a Fokker Friendship aircraft. It will be Mr. C. W. Mace, at present chairman of New Zealand National Airways and a director to more than \$N210m. a year.

## Boards disagree on fuel costs

By KEVIN DONE, CHEMICALS CORRESPONDENT

DISAGREEMENT between the gas and electricity supply indus tries over fuel prices will be brought into the open next week at a meeting at which Mr. Anthony Wedgwood Benn, the Energy Secretary, will be chair man.

In a paper to be considered by the Energy Commission on Mon day, Sir Francis Tombs, chair man of the Electricity Council, says that in the long-term there should be some parity in terms of heat content between the prices of all fossil fuels.

Referring to distortions in the prices of major fuels, he says that the delivered cost of natural gas to the British Gas Corpora tion in 1976-77 was 1.9p per therm. In the same year the price of electricity was 8.4p per therm.

"If the electricity supply in dustry had been able to purchase fossil fuels at the same cost as the gas, but it is not possible to reduce the average price of electricity by about one third and by much more for off-peak supplies."

In another paper to the Energy Commission, Sir Denis Rooke, chairman of the British Gas Corporation, takes issue with Sir Francis.

The price of each form of energy should not be based on any artificial principle, he says, such as alignment with the oil on a basis of heat content. The price should reflect real costs. To base all energy prices on a principle of parity would "destroy competition and encourage inefficiency" (Energy Pricing, Energy Commission Papers 9 and 10).

The chemical industry has social responsibility and public especially vulnerable in the "hysteria". Otherwise, its case would be lost by default.

Mr. Trowbridge told a joint meeting of the Institute of Chemical Engineers and the Institute of Petroleum Engineers in Edin burgh that for chemicals had realistic climate of "favourable" news was "jet-set" travel.

Chemical had news, like plague, and pestilence, knows no frontiers.

"I do not mean that we should show a mask—I mean that we should present our faces and all."

## Public relations boost urged

By KEVIN DONE, CHEMICALS CORRESPONDENT

THE CHEMICALS industry in Europe had to significantly in crease its public relations effort if it was to defend its interests properly, Mr. Martin Trowbridge, director general of the Chemical Industries Association, said yesterday.

This would have to be done at national and European level if the industry was "to persuade society and its legislators to strike a sensible balance between

leased assets should appear in the accounts of both lessor and lessee. The former owns the assets, but the lessee receives the benefit of any earnings arising from those assets.

The aim is to produce a standard as soon as possible which is both acceptable and practicable—hence the meetings in advance with both sides involved.

It is thought likely that some sort of compromise over basic principles will be established fairly quickly, though there may still be specific problems, such as treatment of bad debts, to

THE BRITISH POLIO FELLOWSHIP	
Help close West End Road, London, W1A 1AA, for the Polio Fellowship, which is a charity in accordance with the Charities Act, 1960. It is registered in the Register of Charities, No. 211121. The results of the 1977 collection will be published in the September and October, 1977, issues of the Fellowship's magazine, "The Polio Fellowship News".	
Income	£1,250.00
Expenditure	£1,250.00
Balance	£1,250.00
Total	£1,250.00

## Bass predicts low-calorie lager boom

By KENNETH GOODING

BASS CHARRINGTON predicted yesterday that the next section of the beer market to show rapid growth will be that for "Lite" or low-carbohydrate products which appeal to the health-conscious drinker.

It claimed sales of its Hemeling Lite Lager, launched last May, were now equivalent to 1½ per cent of the total lager market even though it was on sale only in cans and bottles. Hemeling would be the first beer sold in small containers in

British history to reach a sale of 100,000 bulk barrels (or 2,888,000 pints) in its first year. Mr. John Newcomb, director of marketing

at Bass, suggested that within ten years Hemeling would become "a 1m. barrel a year brand," a level achieved by very few of today's beers.

HOME NEWS

# Toy industry set for improvement

BY DAVID CHURCHILL

£220m. a year British toy investigation of some 189 toy manufacturers is set for much more detailed survey after the recession of the last two years, says study of 50 of these companies, published yesterday.

It predicts that further rationalisation in the number of manufacturers is likely. The gradual disappearance of the independent retailer, the preference of large retailers to cut down on the number of lines stocked and to favour well-known brands, and the fact that the toy market is a seasonal one, are all factors which tend to favour the bigger manufacturers.

Manufacturers are also likely to build up sales of non-seasonal items with particular emphasis on pocket money, accessories, outdoor toys, and adult hobbies. Major

manufacturers are also likely to seek production and marketing agreements outside the U.K.

On the distribution side, independent specialist retailers will decline further, reflecting the pressure on costs and their lack of competitiveness, the survey says. Multiples, supermarkets, and department stores are likely to increase their selling of toys.

The skate-boarding boom is not expected to have a significant impact on the industry in future, with no new companies likely to enter the field at this stage.

"Toys, games, sports equipment," Jordan Dataquest, Brunswick Place, London, N.1. Price £60.

# Rolls-Royce has £6m. share in oil industry deal

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

ROLLS-ROYCE has broken into the North Sea oil and gas exploration and development industry with the industrial version of its RB-211 engine.

Amoco (U.K.) Exploration and Production have placed contracts worth over £15m. for eight new gas-turbine compressor packages with Cooper-Bessemer, of which the Rolls-Royce share for eight RB-211s is worth about £6m.

The RB-211 will be used for natural gas compression duties in the Leman and Inshore fields, 30 miles east of the English coast. They will help to maintain the flow of natural gas to the shore terminal at

Becton for distribution by the British Gas Corporation.

The order is the first for the higher-powered version of the industrial RB-211 engine, following successful sales of earlier industrial versions of the engine to pipeline operators in North America, Holland and to British Gas.

The version now sold to the oil industry is the industrial counterpart of the higher-powered Dash 524 model, already on order for airlines in the Boeing 747 Jumbo jet and the Lockheed Series 500 TriStar jets. Each of the eight industrial RB-211s ordered will provide 30,000 horsepower.

# Truck parts scheme dropped

By Kenneth Gooding, Industrial Correspondent

CATERPILLAR Tractor, the U.S. construction equipment group, has given up the idea of manufacturing components alongside its lift truck assembly plant at Desford, near Leicester, which is in the last stages of a £20m. expansion programme.

In 1975, when the project was announced, Caterpillar said the workforce would be increased from 500 to 900. However, with the assembly facilities completed, there are 780 people working at Desford. This suggests that cancellation of the components plant has cost around 100 jobs.

Instead of making its own components, Caterpillar is looking for U.K. sources to replace the imported ones it is using.

The smaller lift trucks are made from 95 per cent. British components. But this falls to around 50 per cent. for some of the big trucks—the range goes up to four-ton capacity.

Mr. Tom Armstrong, plant manager, said the factory is making a contribution to the U.K. balance of payments because more than 70 per cent. of the output is exported.

The investment at Desford proves "Caterpillar is deeply committed to the lift truck business" which it entered via the acquisition in the U.S. of the Towmotor Corporation in 1965.

# Healey backs Inland Revenue's ruling on delays

BY JAMES McDONALD

THE INLAND REVENUE'S ruling that it does not generally accept delays in conveying its view of the tax effect of documents as the basis of a claim for a reduction in the burden on the taxpayer has the backing of the Chancellor of the Exchequer.

This is made clear in the Government's Observations—published yesterday—on the Second Report from the Select Committee on the Parliamentary Commissioner for Administration, Session 1976-77.

The Chancellor's backing is given against the background of a case reported by the select committee in which there had been serious delays by the Inland Revenue in informing a taxpayer's agents of its view of the tax consequences of two deeds that had been submitted. Meanwhile, tax liability had been accruing on the basis of the Inland Revenue view eventually expressed.

The Parliamentary Commissioner had found that there had been maladministration, which required a remedy from the department, but this had been refused. The select committee agreed with the Parliamentary Commissioner and called on the Inland Revenue to provide that remedy.

The Board of the Inland Revenue informed the select committee last September that it had reviewed the case and had decided to grant the full

remedy sought in the complaint to the Parliamentary Commissioner.

However, Mr. Denis Healey, the Chancellor—without commenting on the circumstances of the particular case—said it raised an issue of general importance touching relations between the taxpayer and the tax administration.

"The Board of Inland Revenue accept, of course, that they are under a legal duty to raise the appropriate assessment to tax and that, in the interests both of the citizen and of good administration, they should endeavour to raise the assessment within a reasonable time."

"However, the Board takes the view that it is the responsibility of the taxpayer to see to it that any formal documents that may affect his tax position are drawn in such terms that they will secure the tax consequences he intends."

"The mere submission of documents to the Revenue does not discharge that responsibility or safeguard the taxpayer's interests. The tax payable can be determined only by whatever turns out to be their true effect."

Second Report from the Select Committee on the Parliamentary Commissioner for Administration, Session 1976-77: Observations by the Government. Cmd 7088, 50p, 25p.

# Consumer guardians lack independence

FINANCIAL TIMES REPORTER

CONSUMER watchdog committees attached to nationalised industries should be "visibly" independent, Professor Huel Shanks, chairman of the Royal Consumer Council, said yesterday in London.

They were still too closely tied to the industries they were supposed to monitor, he said in second of the 1978 Stockton lectures to the London Business School.

They could operate as a "kind of audit board" for State industry, with a common federal structure and a central staff, he said. "We don't think anybody can

really be very happy about their general performance," he added. "Organisations which could represent the consumer more effectively than the TUC or the CBI should be included in the Social Contract."

That would help to defuse a "dangerous tension" in society, as the tide of public opinion ran strongly against centralised power and authority.

Professor Shanks outlined a strategy for consumers, which aimed at value for money, and a common federal structure and a central staff, he said. "We don't think anybody can

# Plea from Scotland on steel cuts

By Ray Peeman, Scottish Correspondent

BRITISH STEEL was urged yesterday to ensure that cuts in investment and output did not hit Scotland disproportionately hard.

Lord Clydesmuir, chairman of the Scottish Council for Development and Industry, said in a letter to Sir Charles Villiers, the Corporation's chairman, that maintenance of Scotland's share of new investment at 15 per cent. would safeguard the future growth and efficiency of the corporation there.

## Efficient

It would also enable the Scottish division to continue producing about 15 per cent. of total U.K. steel output from plants which were as efficient as any elsewhere in Britain.

Within the Scottish investment programme, the planned direct reduction and electric arc plants at Hunterston should be safeguarded, he added. The trend in the division as a whole should be towards producing higher quality and special steels.

This would broaden the base of the Scottish steel industry and have beneficial effects on growth in manufacturing industry.

# Brokers take optimistic view on inflation

BY DAVID FREUD

A TWO-YEAR forecast by stock-brokers Capel-Cure Myers is markedly more optimistic over U.K. inflation and the balance of payments than recent predictions by several other commentators.

Capel predicts that the rate of inflation will remain in single figures over the next two years and the balance of payments will remain in surplus, with £2bn. in 1978 and £1bn. in 1979, despite an erosion of the U.K.'s competitive position.

However, the projected rate of growth is lower than that of other recent forecasts at 2.6 per cent. in 1978. Unemployment is expected to grow.

They assume that the Budget will make direct tax concessions of £2.5bn. offset to some extent by increases in indirect taxation.

Also assumed is that the authorities will continue to pursue a cautious economic strategy, with the fight against inflation paramount. The rate of growth in money supply is expected to

# Credit licence system impact

THE INTRODUCTION of licensing in the credit industry—which should be completed by the autumn—has already had a considerable impact, Mr. Gordon Borrie, Director-General of Fair Trading, said in London yesterday.

The third and final stage of licensing under the 1974 Consumer Credit Act got under way last month.

# ICL drops plan to move

INTERNATIONAL COMPUTERS has dropped plans to transfer its development division from West Gorton, Manchester, to a site at Simonsway, Wythenshawe, in the south of the city.

The company, which announced last year that it wanted to expand, will retain its council room in West Gorton but seek to

# Theatre's plan blocked

By John Brennan, Property Correspondent

PLANS for redevelopment of London's Mermaid Theatre were frozen by the City Corporation yesterday.

Touche Renmant, the investment management group, revealed last week its plans for a £7m. modernised theatre and office block on the Mermaid's Puddle Dock site by the Thames. Agreement had been reached with the theatre's trust, led by Sir Bernard Miles, to take over the trust's leasehold interest in the site, and to pay the City Corporation, the site freeholder, a £1m. premium for a new long leasehold.

Yesterday, however, the City Corporation voted 2 to 1 against immediate acceptance of the proposals.

# Managers want top tax cut to 60%

BY DAVID FREUD

THE TOP marginal rate of income tax should be cut from 83 per cent. to 60 per cent. in the Budget, the British Institute of Management told Mr. Denis Healey, Chancellor of the Exchequer, at a working dinner in London last night.

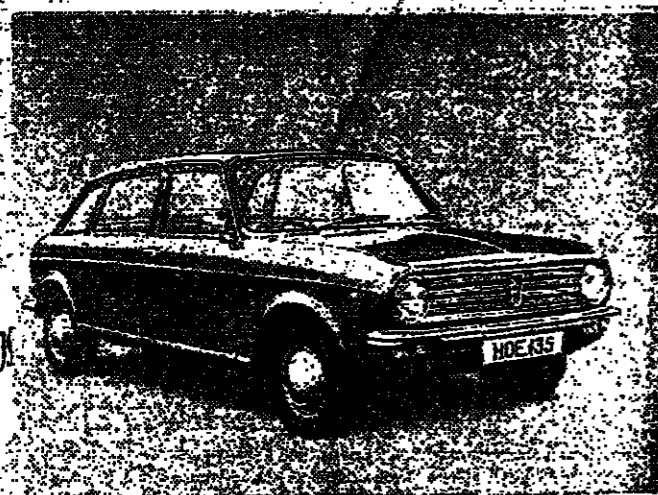
Income tax cuts totalling £2.5bn. were urged, including a cut in the basic rate of tax from 34 per cent. to 30 per cent. at a cost to the Treasury of £2bn.

Also sought were increases in the value of higher-rate thresholds by a minimum of £1,000 in the bottom band rising to £2,500 in the top band (from £21,000 to £23,500).

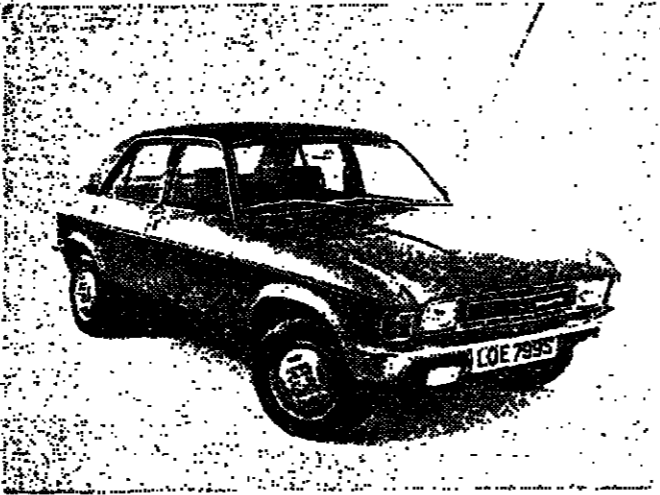
The Chancellor was told that the institute considered it desirable for the top rate to come down to 50 per cent. in the foreseeable future to provide incentive and for higher rate thresholds to be indexed to maintain their real value.

Before the dinner, Sir Frederick Catherwood, vice-president of the institute, stressed that managers' incomes had been badly hit in the last four years. It was only fair that steps should be taken to restore their standard of living when the opportunity arose.

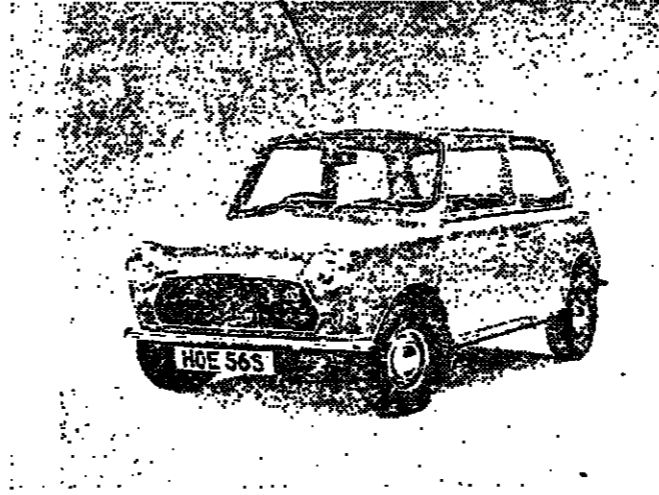
# 4 reasons why we don't include snow ploughs in a Leyland Cars Fleet.



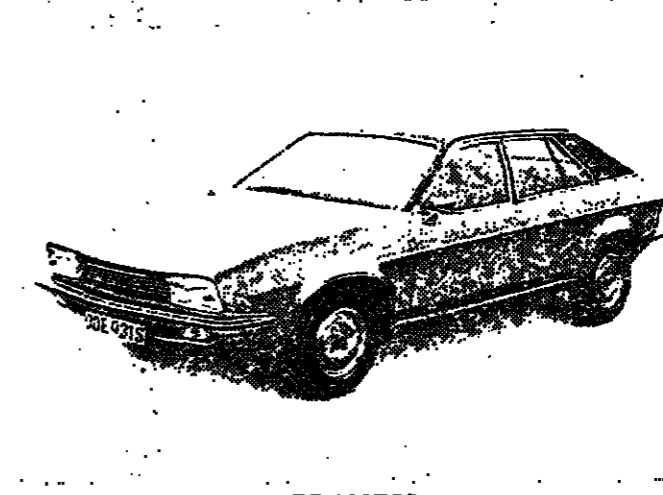
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The 4 cars above are just some models from the Leyland Cars Fleet Sales range of cars and light commercials. They share one thing—front-wheel drive—a road-holding bonus in any weather.

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Leyland Cars Fleet Sales protect every company vehicle you run with Supercover. It cuts your servicing costs and contains two very pertinent advantages for winter operation: free

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Leyland Cars Fleet Sales  
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PARLIAMENT AND POLITICS

Premier 'unrepentant' MPs call for price controls debate

BY PHILIP RAWSTORNE

MR. JAMES CALLAGHAN told the Commons yesterday that he was "totally unrepentant" about the Government's action to reinforce its pay policy. By black-list or contract, the Prime Minister affirmed, the 10 per cent limit would be upheld.

Mrs Margaret Thatcher, who is to challenge the policy again in the Commons on Monday, suggested it was not so much a sin as just plain cynicism.

Mr Callaghan was setting himself up as the sole judge of the national interest and using limited discretionary powers with unlimited rigour, she charged.

The Commons had the final verdict if the Government misused its powers, the Prime Minister pointed out. The Government had been acquitted once and he had no qualms about next week's trial. "I am totally unrepentant about the powers being used and the purpose for which they are used," he declared.

But Mr Callaghan said he would examine the complaints of a Commons Select Committee about the Government's handling of statutory instruments.

Mr Michael Foot claimed that action had already been taken to meet some of the criticisms—but the Prime Minister stressed that the Government would look again to ensure that MP's rights were safeguarded.

Far from renouncing the Government's pay policy, Mr Callaghan went on to taunt the Tories with its success. The whole nation would be grateful to the ministers for their responsible decision to accept the 10 per cent.

"I thank the miners of Britain for what they have done," he intoned.

Labour MPs called mockingly on Mrs Thatcher to join in the

thanksgiving. But the Tory leader sat tight-lipped.

Mr Callaghan was asked by Mr Peter Bottomley (C, Woolwich W.) what the Government thought the future level of earnings should be. "At the moment, I would not wish to take a public initiative on this," the Prime Minister declared coyly.

"But I am in no doubt that the level of incomes next year will, of course, influence the level of inflation—and I shall go on saying so."

The prospect of Mr Callaghan carrying on brought a note of desperation into the Tory questioning.

If the Prime Minister would not repudiate any policies, perhaps he would renounce Mr Anthony Wedgwood Benn's agreement with the Energy Secretary's comment in a speech at the School of Oriental and African Studies that nationalisation was back on the Labour agenda, they demanded.

"It's never been off the agenda," Mr Callaghan coolly rejoined. The last Tory Government had nationalised Upper Clyde, Rolls-Royce and others, continuing the policy with an "inextinguishable flame" that matched Mr Benn's.

Mr Callaghan said it was clear that the economy would not work properly without a proper balance between the private and public sectors. The Tories recognised that reality and he wished they would start supporting industry instead of running it down.

But Mr Callaghan noted that Mrs Thatcher had told overseas bankers she was opposed to the Multi-Fibre Agreement, export credits and all Government grants and subsidies to industry. "I wonder how many millions of jobs would be lost if the Tories ever got back to power," he said.

Shore urges more inner city investment

BY JOHN HUNT, PARLIAMENTARY CORRESPONDENT

A CALL for leading firms to increase the size of their investment in inner cities was made by Mr Peter Shore, Environment Secretary, in the Commons last night.

He pointed out that many big companies already had a considerable role in these areas—in industrial activities, shops, property, housing development and in markets for their goods.

"I would like these firms to review the extent of their commitment to the inner areas and to consider how they can channel more work and support to the inner cities," he declared.

If our major firms could push more investment towards these areas, they will be helping to protect their existing interests there. It would also give an example which is crucial to the return of confidence.

Mr Shore was speaking on the Second Reading of the Inner Urban Areas Bill. This empowers local authorities, with central Government financial assistance, to set up schemes to encourage industry in the inner cities. It will entail total expenditure on loans and grants of £50m. up to 1981-82.



Mr. Peter Shore

Attracted

Mr Shore emphasised that medium-sized and small firms and office and service employment also had a very big contribution to make in these areas. Many young people, particularly, were attracted to the idea of working in service industries, in offices and commerce. These were the growing sectors.

Mr Shore acknowledged that few large-scale employment projects would be attracted to inner cities. It would be the medium-sized and smaller firms that would contribute most to employment.

From the Opposition front bench, Mr Michael Heseltine, shadow Environment Secretary, was sceptical about the effectiveness of the Bill, although the Tories did not intend to vote against it.

His scepticism seemed to be shared by some Labour backbenchers. There were Labour shouts of "chicken feed" when Mr Shore outlined the financial provisions of the legislation.

Selective

Mr Ron Thomas (Lab, Bristol NW), reminded the Secretary of State that a report from Bristol had shown that urban blight was not confined to inner cities. It existed in other parts of a city, such as his own constituency.

Mr Heseltine said that the sums of money which would be provided under the Bill were very small compared to total local authority expenditure. He said, a highly selective measure which would effect a negligible number of companies.

He suggested that it was an "illusion of a policy" which the facts would not justify. The sort of encouragement given in the Secretary of State's speech was not enough, in itself, to persuade firms to invest in the inner cities.

In fact, he argued, it was the

Call for Israeli flexibility

By Ivor Owen, Parliamentary Staff

BRITAIN intends to continue in the role of candid friend to both Egypt and Israel, mainly through the use of traditional diplomatic channels, rather than by public pronouncements, the Prime Minister said in the Commons yesterday.

Questioned about his meeting earlier in the day with President Sadat of Egypt at Agha Khan airport, he said: "I believe that private representations to both sides and candid expressions of opinion on where both sides are moving is the best way of helping the peace negotiations forward."

After his talks with President Carter, the Egyptian leader appeared to believe that there were greater prospects of reaching discussions with Israel.

Mr Callaghan stressed: "It is the view of the Government that Israel should show greater flexibility in its negotiations, but that Israel's security is paramount."

"In my discussions, I found that President Sadat recognises that and I hope that the Government and people of Israel will recognise that too. President Sadat is anxious to try to find a way for Israel to live in peace and security."

The Prime Minister said that he intended writing to Mr Begin, the Israeli Premier, explaining Britain's attitude.

Operate

Mr Walker said: "We now have a situation in certain districts of this country where forces will not operate because if you have a choice as a firm you will not go into an area of high crime."

He had to cut through the red tape relationships between central and local government and decide on a whole range of designated districts where there was a desperate need for urgent action.

Japanese car quotas plea

Mr Edmund Dell, Secretary to British car exports to Japan, said he had asked the Government to consider Japanese car imports following Wednesday's announcement of the increase in their share of the U.K. car sales last month.

Mr Douglas Jay (Lab, Battersea N) said that although the Japanese "arrogance" in firm quotas against Japanese total imports involved were only refusing to give any commitment cars," he said.

Defence work switched

BY JOHN HUNT

THE MINISTRY OF Defence has taken action against T. Baker and Sons (Transport), of Tipton, Staffs., under the Government's "blacklist" of companies who do not observe the 10 per cent wage guidelines.

Answering a written Commons question last night, Dr John Gilbert, Minister of State for Defence, said that no contract with the company had been cancelled.

"The company has, for some years, undertaken transport work for the Ministry of Defence on a day-to-day basis," he said.

"But as the company is in breach of the pay guidelines, alternative arrangements have now been made."

This would involve some slight extra cost to his Department, but it was not possible to say how much.

Dr Gilbert was answering a question from Mr Norman Fowler (C, Sutton Coldfield) who had asked why a contract with the company had been cancelled, and how much it had cost public funds in letting a new contract.

Mr Michael Foot claimed that action had already been taken to meet some of the criticisms—but the Prime Minister stressed that the Government would look again to ensure that MP's rights were safeguarded.

Far from renouncing the Government's pay policy, Mr Callaghan went on to taunt the Tories with its success. The whole nation would be grateful to the ministers for their responsible decision to accept the 10 per cent.

"I thank the miners of Britain for what they have done," he intoned.

Labour MPs called mockingly on Mrs Thatcher to join in the

Four missing words explained

BY IVOR OWEN, PARLIAMENTARY STAFF

LABOUR backbenchers claimed yesterday to have uncovered a new twist in the mystery surrounding the Conservative Party's action to incomes policy.

Mr Michael Noble (Lab, Rossendale) protested that the Hansard report of the speech made by Mr John Nott, shadow Trade Minister, on Tuesday, when he opened the Opposition attack on the "blacklisting" of firms in breach of the Government's 10 per cent pay guidelines, lacked four vital words.

According to Hansard, he said, Mr Nott had stated: "We are against individual limits."

With support from other Labour MPs, Mr Noble said his recollection was that Mr Nott

had actually used words to the effect that the Opposition was against individual limits "at the present time."

Mr Nott immediately volunteered an explanation. He had himself discovered in the course of a routine check that the words "at the present time" were missing from the Hansard reporter's typescript.

"I made no change whatever to the text," he stressed.

Mr Nott went on to report that after listening to more of the debate and realising that it was a matter of some consequence "for the Labour Party," he had returned to the Hansard office and suggested that the words "at the present time" should be included.

The Hansard editor had agreed to this course, and he had been surprised to find that the words had still been omitted when he read Hansard the next day.

The Speaker, Mr. George Thomas, said an investigation carried out by the editor of Hansard had resulted in the reporter concerned confirming that the words in question had been used by Mr Nott.

Their omission from Hansard was the result of a printer's error, and steps had been taken to publish a corrected version of Mr Nott's speech.

The Speaker said he was entirely satisfied with the editor's explanation. "Mr Nott could not have done more than he did. The matter is closed."

Labour rebels to oppose reduced Scots 'yes' vote

BY RUPERT CORNWELL, LOBBY STAFF

THE GOVERNMENT has little prospect of deleting completely the vital amendment stipulating a 40 per cent "yes" vote in the referendum on Scottish devolution. It now hopes to reduce the minimum proportion in favour to 33 per cent of the electorate.

Last night, however, its chances of securing even that more limited objective looked in some jeopardy as Labour rebels led by Mr George Cunningham (Lab, Inverclyde), made clear their intention to resist any change at all.

The key votes will take place on Wednesday evening, on the second night of the Scotland Bill's report stage. The Third Reading will be in the following week, before the measure departs for further scrutiny by the House

of Lords, probably after Easter. The Government's tactics were settled at yesterday's Cabinet meeting, when Ministers agreed to throw their backing behind an amendment tabled by Mr Dennis Canavan (Lab, W. Strathclyde), discarding any minimum figure whatever.

In the event of failure, a second proposal, this time replacing 40 per cent by 35 per cent, would be voted upon.

Here, the Government looks to be on slightly stronger ground, for the names of Tory MPs at the head of one such amendment offers the prospect of some Conservative support—essential if the reduction is to be carried.

The indications were last night that the Liberals would go along with 33 per cent, while the Scottish Nationalists—hostile even to the compromise figure—

will delay a decision until closer to the vote.

Above all, the Cabinet is trusting that the fortnight's interval between the Bill's committee and report stages will have allowed MPs to make more sober reassessment of the minimum vote provision. Ministers are emphatic that such a precedent would be extremely dangerous for the rest of the U.K.

No attempt will be made, for the time being, to reverse the other blow to the legislation during committee proceedings: the modification permitting the Orkney and Shetland Islands to opt out of a devolved Edinburgh assembly.

The Government appears to be biding its time in the hope of coming up with a satisfactory compromise.

Mason says Ulster talks 'essential'

FINANCIAL TIMES REPORTER

IT WAS "absolutely essential" to restart the Ulster political dialogue, Mr Roy Mason, the Northern Ireland Secretary, said yesterday. But he stressed that he did not intend to force the pace in finding a political solution.

He was replying to Mr Martin Flannery (Lab, Hillsborough) who said that a sense of hopelessness could lead to more terrorism if the dialogue was not renewed.

Mr Mason called on church and political leaders to calm the Province following the four murders since the week-end.

"When there are dastardly and cowardly attacks on innocent women and children, it sends waves of revulsion through the Province," he said he could understand these feelings but

did not want a renewal of sectarian violence.

Mr Gerry Fitt (SDLP Belfast W) said the level of violence opinions of the Dublin Government, that the British Government had any utterance inside or outside the province that gave aid and succour to terrorist organisations made his job more difficult.

The "floating" of an amnesty had not done any good but he was glad that the Irish Premier, Mr Jack Lynch, had tried to withdraw it.

Mr Mason also agreed with Mr William Van Straubenzee, Conservative MP for Wokingham, and a former Northern Ireland minister, that a solution had to be found in stages. He added that local government in the British sense was not sufficient to answer the problems of Northern Ireland.

Lynch unity call opposed by majority, poll shows

BY GILES MERRITT IN DUBLIN

AN OPINION poll has suggested that a small majority of Irish people do not support the controversial remarks on reunification made recently by their Prime Minister Mr Jack Lynch.

In the Daily yesterday, Mr Lynch was accused of having done "irreparable damage" to foreign investment hopes through his comments.

The poll, conducted in County Roscommon which is both geographically and politically in the centre of Ireland, found that 49 per cent believed Mr Lynch had been "wrong" to state in a radio interview last month that Britain should encourage Irish unity. As many as 56 per cent of those interviewed rejected the idea of an amnesty being considered for IRA prisoners in Irish jails.

But although a slight majority disapproved of Mr Lynch's stand, the poll showed how evenly divided Irish people are

over the question of reunification. Forty-six per cent supported Mr Lynch's remarks and 39 per cent were in favour of considering an amnesty.

Mr Lynch was attacked in the Daily by Mr Austin Deasy, Fine Gael deputy for Waterford, who argued that renewed provisional IRA violence in the North might have been encouraged by hopes of support in the South.

Tower Bridge

ROAD improvements to the northern approaches to Tower Bridge, are expected to start next Tuesday.

The £3m. scheme will ease traffic congestion at the junction of Minorities, Tower Bridge Approach, Tower Hill, Mansell Street and East Smithfield and widen the road for extra traffic generated by the redevelopment of Docklands.

Aircraft noise complaint

PEOPLE affected by aircraft noise should have the right to sue aircraft operators and those who use it. There could be a severe cost to airlines if they are sued, said Mr. Hugh Jenkins, Labour MP for Putney West, who wants the right written into the Civil Aviation Bill.

Mr. Jenkins said that the Bill would allow a citizen to sue an aircraft operator for noise damage. "There could be a severe risk of considerable litigation to us very great purpose. There could be uncertainty created about flight movements which would

severely impede the convenience of aviation traffic and those who use it. There could be a severe cost to airlines if they are sued, said Mr. Hugh Jenkins, Labour MP for Putney West, who wants the right written into the Civil Aviation Bill.

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Higher fines urged for harassment

AN MP yesterday attacked the "derisory" fines being meted out by the courts on "latter-day Rachmans who winkle and harass tenants out of their property."

Mr. Bruce George, Labour MP for Walsall South, wants the Lord Chancellor, Lord Elwyn-Jones to remind the courts that the maximum fine for harassment is soon to increase from £400 to £1,000.

Mr. George said he had been told by the Department of the Environment that the average fine for harassment was about £60.

He added, "There is evidence of an increase of harassment by landlords. I would like to see the courts use their powers."

Next week's business

COMMONS debates next week are:

MONDAY: Debate on public purchasing and the abuse of Ministerial power; motion on financial assistance to Opposition parties.

TUESDAY AND WEDNESDAY: Scotland Bill, remaining stages; at end on Wednesday, motion on the Medicines (Exemptions from Restrictions on the Retail Sale or Supply of Veterinary Drugs) order.

THURSDAY: European Assembly Elections Bill, remaining stages.

FRIDAY: Private members' Bills.

MONDAY (February 20): Employment Subsidies Bill, and Home Purchase Assistance and Housing Corporation Guarantee Bill, second readings.

Lords business is:

TUESDAY: Domestic Proceedings and Magistrates Court Bill, committee; Participation of Agreement Bill, committee; debate on Rhodesia.

WEDNESDAY: Debates on land purchase difficulties, and on pay in the public sector.

THURSDAY: Education (Northern Ireland) Bill, third reading; Industrial and Provident Societies Bill, committee.

Budget date

THE BUDGET will be on Tuesday, April 11, MPs were told yesterday.

Wales jobs

THE Development Board for Rural Wales has announced that three days at the Spring Fair with its "Traineeship" at Birmingham International Station has already produced 14 solid industrial inquiries, which could mean factories ranging in size from 1,500 to 50,000 sq feet have been sought by manufacturers producing all kinds of products from children's racing cars, electrical components, glass, furniture, stoneware, pharmaceuticals and food.

**BOND DRAWING**

**THE GOVERNMENT OF PAPUA NEW GUINEA**  
9½% Guaranteed Bonds 1983

S. G. WARBURG & CO. LTD., announce that Bonds to the nominal amount of U.S.\$1,000,000 have been drawn in the presence of a Notary Public for the redemption instalment due 15th March, 1978.

The numbers of the Bonds drawn are as follows:—

3	28	53	77	102	127	151	175	201	225
250	275	300	324	349	374	398	423	448	472
497	522	546	571	596	620	645	670	694	719
744	769	793	818	843	867	892	917	941	966
881	905	929	954	979	1003	1028	1052	1077	1101
1127	1152	1176	1201	1225	1250	1274	1299	1323	1348
1372	1396	1421	1445	1470	1494	1519	1543	1568	1592
1617	1641	1666	1690	1715	1739	1763	1788	1812	1837
1861	1885	1910	1934	1958	1983	2007	2031	2056	2080
2104	2128	2152	2177	2201	2225	2249	2274	2298	2322
2347	2371	2396	2420	2444	2469	2493	2517	2541	2566
2590	2614	2639	2663	2687	2711	2736	2760	2784	2809
2833	2857	2881	2906	2930	2954	2978	3003	3027	3051
3076	3100	3124	3149	3173	3197	3221	3246	3270	3294
3319	3343	3367	3391	3416	3440	3464	3488	3513	3537
3561	3585	3610	3634	3658	3682	3706	3731	3755	3779
3803	3827	3851	3876	3900	3924	3948	3972	3997	4021
4045	4069	4093	4117	4141	4166	4190	4214	4238	4262
4286	4310	4334	4359	4383	4407	4431	4455	4479	4504
4528	4552	4576	4600	4624	4648	4672	4696	4720	4744
4768	4792	4816	4840	4864	4888	4912	4936	4960	4984
5008	5032	5056	5080	5104	5128	5152	5176	5200	5224
5248	5272	5296	5320	5344	5368	5392	5416	5440	5464
5488	5512	5536	5560	5584	5608	5632	5656	5680	5704
5728	5752	5776	5800	5824	5848	5872	5896	5920	5944
5968	5992	6016	6040	6064	6088	6112	6136	6160	6184
6208	6232	6256	6280	6304	6328	6352	6376	6400	6424
6448	6472	6496	6520	6544	6568	6592	6616	6640	6664
6688	6712	6736	6760	6784	6808	6832	6856	6880	6904
6928	6952	6976	7000	7024	7048	7072	7096	7120	7144
7168	7192	7216	7240	7264	7288	7312	7336	7360	7384
7408	7432	7456	7480	7504	7528	7552	7576	7600	7624
7648	7672	7696	7720	7744	7768	7792	7816	7840	7864
7888	7912	7936	7960	7984	8008	8032	8056	8080	8104
8128	8152	8176	8200	8224	8248	8272	8296	8320	8344
8368	8392	8416	8440	8464	8488	8512	8536	8560	8584
8608	8632	8656	8680	8704	8728	8752	8776	8800	8824
8848	8872	8896	8920	8944	8968	8992	9016	9040	9064
9088	9112	9136	9160	9184	9208	9232	9256	9280	9304
9328	9352	9376	9400	9424	9448	9472	9496	9520	9544
9568	9592	9616	9640	9664	9688	9712	9736	9760	9784
9808	9832	9856	9880	9904	9928	9952	9976	10000	

On 15th March, 1978 there will be a drawing of the Bonds drawn for redemption, the principal amount thereof, together with accrued interest to said date at the office of S. G. WARBURG & CO. LTD., 30, Gresham Street, London, EC2P 2EB, or with one of the other paying agents named on the Bonds.

Interest will cease to accrue on the Bonds called for redemption on and after 15th March, 1978. Bonds so presented for payment must have attached all coupons maturing after that date.

U.S.\$22,000,000 nominal amount of Bonds will remain outstanding after 15 March, 1978.

The following Bonds drawn for redemption on dates stated below have not yet been presented for payment.

15th March 1978	15th March 1977
No. 2007: 2031: 2056: 2130: 2155: 2179: 2204: 2229: 2254: 2279: 2304: 2329: 2354: 2379: 2404: 2429: 2454: 2479: 2504: 2529: 2554: 2579: 2604: 2629: 2654: 2679: 2704: 2729: 2754: 2779: 2804: 2829: 2854: 2879: 2904: 2929: 2954: 2979: 3004: 3029: 3054: 3079: 3104: 3129: 3154: 3179: 3204: 3229: 3254: 3279: 3304: 3329: 3354: 3379: 3404: 3429: 3454: 3479: 3504: 3529: 3554: 3579: 3604: 3629: 3654: 3679: 3704: 3729: 3754: 3779: 3804: 3829: 3854: 3879: 3904: 3929: 3954: 3979: 4004: 4029: 4054: 4079: 4104: 4129: 4154: 4179: 4204: 4229: 4254: 4279: 4304: 4329: 4354: 4379: 4404: 4429: 4454: 4479: 4504: 4529: 4554: 4579: 4604: 4629: 4654: 4679: 4704: 4729: 4754: 4779: 4804: 4829: 4854: 4879: 4904: 4929: 4954: 4979: 5004: 5029: 5054: 5079: 5104: 5129: 5154: 5179: 5204: 5229: 5254: 5279: 5304: 5329: 5354: 5379: 5404: 5429: 5454: 5479: 5504: 5529: 5554: 5579: 5604: 5629: 5654: 5679: 5704: 5729: 5754: 5779: 5804: 5829: 5854: 5879: 5904: 5929: 5954: 5979: 6004: 6029: 6054: 6079: 6104: 6129: 6154: 6179: 6204: 6229: 6254: 6279: 6304: 6329: 6354: 6379: 6404: 6429: 6454: 6479: 6504: 6529: 6554: 6579: 6604: 6629: 6654: 6679: 6704: 6729: 6754: 6779: 6804: 6829: 6854: 6879: 6904: 6929: 6954: 6979: 7004: 7029: 7054: 7079: 7104: 7129: 7154: 7179: 7204: 7229: 7254: 7279: 7304: 7329: 7354: 7379: 7404: 7429: 7454: 7479: 7504: 7529: 7554: 7579: 7604: 7629: 7654: 7679: 7704: 7729: 7754: 7779: 7804: 7829: 7854: 7879: 7904: 7929: 7954: 7979: 8004: 8029: 8054: 8079: 8104: 8129: 8154: 8179: 8204: 8229: 8254: 8279: 8304: 8329: 8354: 8379: 8404: 8429: 8454: 8479: 8504: 8529: 8554: 8579: 8604: 8629: 8654: 8679: 8704: 8729: 8754: 8779: 8804: 8829: 8854: 8879: 8904: 8929: 8954: 8979: 9004: 9029: 9054: 9079: 9104: 9129: 9154: 9179: 9204: 9229: 9254: 9279: 9304: 9329: 9354: 9379: 9404: 9429: 9454: 9479: 9504: 9529: 9554: 9579: 9604: 9629: 9654:	

# LABOUR NEWS

## Engineering unions move toward pay peace

By Alan Pike, Labour Correspondent, New York

ENGINEERING UNION leaders have moved toward a conciliatory line yesterday, after a day of increasing the chances of a settlement of this winter's major pay dispute. The move was seen as a sign of the confederation of shipbuilding and engineering unions, which has been struggling to force a settlement on the employers' side. The unions have been demanding a 10 per cent increase, but the employers have offered only a 5 per cent increase. The unions have been threatening a strike, but the employers have been threatening to close the plant. The unions have been demanding a 10 per cent increase, but the employers have offered only a 5 per cent increase. The unions have been threatening a strike, but the employers have been threatening to close the plant.

## Wages council awards laundry workers 12%

By Pauline Clark, Labour Staff

A LARGE group of low-paid workers in the services sector have been awarded a 12 per cent pay increase under what is known as the minimum wage award. The award is the fifth major award made by the wages council since it was set up in 1974. The award is the fifth major award made by the wages council since it was set up in 1974. The award is the fifth major award made by the wages council since it was set up in 1974.

## Speke strike made official in 15th week

By Philip Bassett, Labour Staff

A STRIKE by 2,000 workers at British Leyland's car plant at Speke, Merseyside, now in its 15th week, was made official yesterday by the Transport and General Workers' Union. The strike is the longest in the history of the union. The workers are demanding a 10 per cent increase in pay. The employers have offered only a 5 per cent increase. The workers have been threatening a strike, but the employers have been threatening to close the plant.

## Walk-out at Welsh plant

By Robin Reeves

SOME 200 engineering workers walked out on strike at the Llantrisant works of Powell Duffryn, the South Wales engineering group, yesterday in protest at their annual wages claim. The workers are demanding a 10 per cent increase in pay. The employers have offered only a 5 per cent increase. The workers have been threatening a strike, but the employers have been threatening to close the plant.

## TUC steel committee for talks on redundancy

By Nick Garnett, Labour Staff

OFFICIALS of the TUC steel committee are travelling to the East Moors steelworks, Cardiff, early next month to discuss with British Steel management a voluntary redundancy scheme for the plant's workforce. The negotiations, on March 3, will be preceded by talks between the committee and the 3,300 workers.

## Employers write tax guide for strikers

By Peter Cartwright, Midlands Staff

A "STRIKERS' CALENDAR," setting out the best periods in the income tax year for union members and other employees to benefit from State regulations, has been drawn up by Coventry and District Engineering Employers' Association.

## Clyde men's £10 parity claim

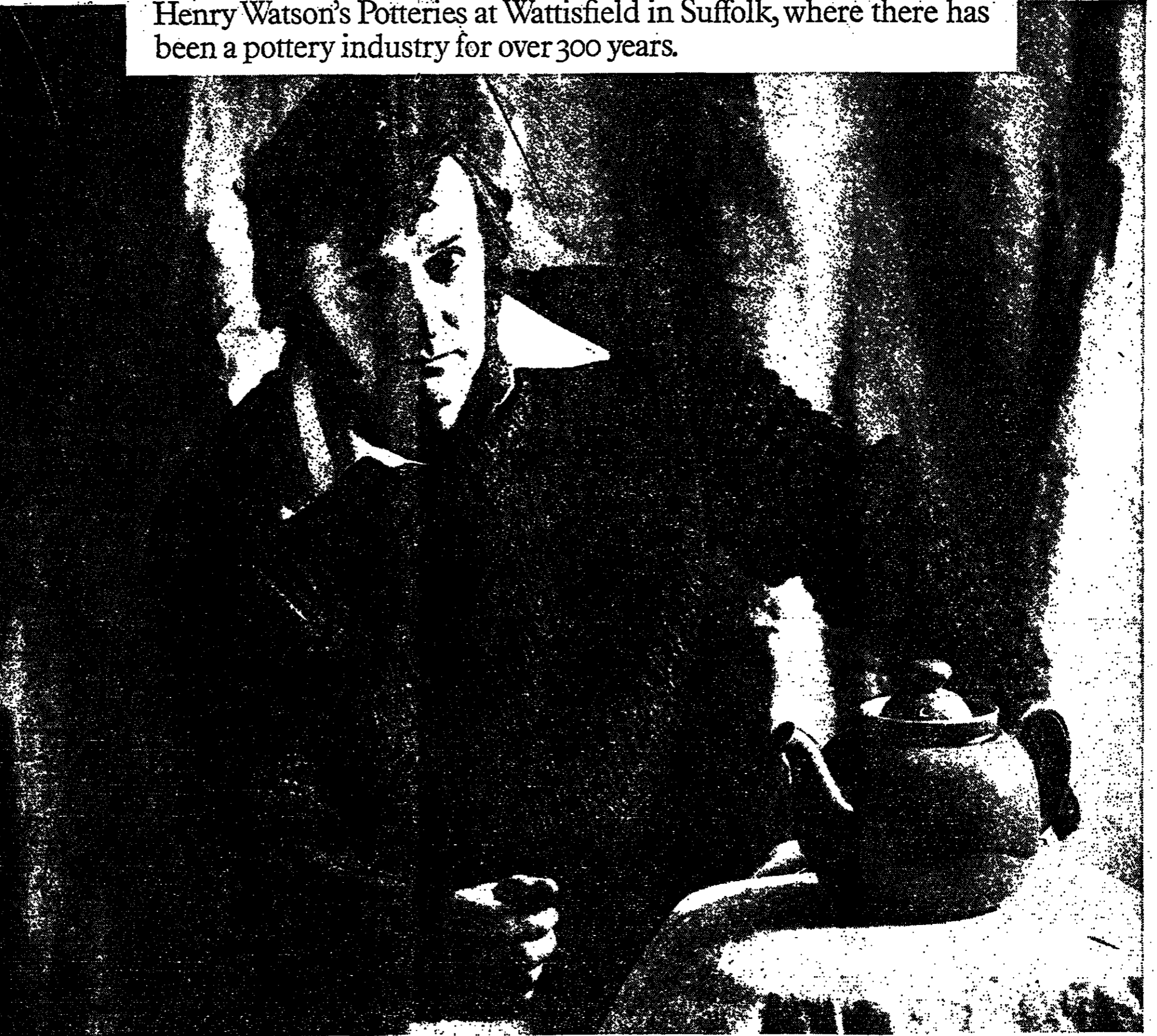
More than 6,000 Lower Clyde shipbuilding workers yesterday presented a claim to the Central Arbitration Committee in Glasgow for wage rises of up to £10 a week to bring them into line with workers at Govan Shipbuilders.

Mr. James Murray, Scottish Executive member of the Boiler-makers' Society, told the committee that the workforce at the Scott Lithgow Group were becoming increasingly frustrated because their earnings were among the lowest in any British Shipbuilders' yard. The association has calculated that the difference between working and being laid off for a single man is less than £11 a week. The association has calculated that the difference between working and being laid off for a single man is less than £11 a week.

## OTHER EVIDENCE TO TRIBUNAL

### Cavalier attitude of committee

FINANCIAL Times had a "cavalier" attitude to the place of the proposed meeting, but the Financial Times has been accused of a "cavalier" attitude to the place of the proposed meeting. The committee did not specify the place of the proposed meeting, but the Financial Times has been accused of a "cavalier" attitude to the place of the proposed meeting. The committee did not specify the place of the proposed meeting, but the Financial Times has been accused of a "cavalier" attitude to the place of the proposed meeting.



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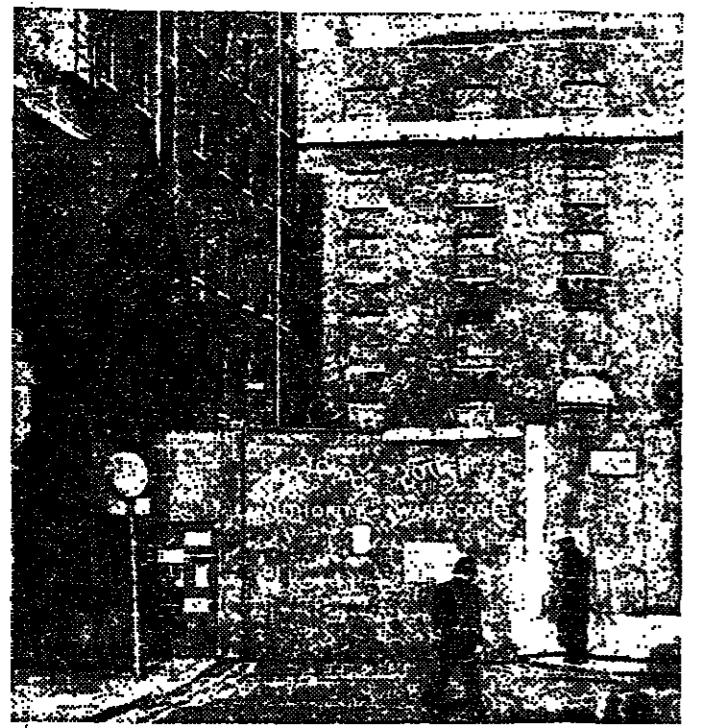
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# The Property Market

By JOHN BRENNAN

## Cutler Street launched

Standard Life Assurance, and Street warehouse site near the private property group Liverpool Street Station. Greycoat Estates, have emerged as developers of the key Cutler



Cutler Street warehouses, site of one of the biggest City office developments of all time, finally gets the green light.

the 41 acre City of London site from the Port of London Authority for £4.9m. Standard and Greycoat will go ahead with the existing Richard Seifert and Partners plan for a 780,000 square foot office development, one of the largest City office schemes ever undertaken.

Final details of the negotiations with the PLA were only completed in the past few days. And the developers are still holding talks with the Baltic Exchange, which had originally discussed plans to move its headquarters into the Seifert scheme at Cutler Street two years ago.

The Baltic Exchange's move disappeared from public view beneath confusion about the ownership of the site, and difficulties in finding a financing partner for the development.

Confusion over site ownership stemmed from the apparent purchase of Cutler Street by Ramon Greene and Jack Walker's English and Continental Property Holdings in 1973. E and C agreed to buy the site for £13m, paying a £3m deposit, with the balance payable to the PLA over the next five years. In the event, E and C collapsed into the arms of its funding partner, the Crown Agents, and no stage payments were made.

E and C forfeited the £3m deposit, the Crown Agents paid the PLA £1m, compensation for the default, and the PLA recovered the buildings in December 1976.

The PLA, advised by Philip

Andrews and Co., has now resold the site, and the new developers have already set the Seifert plan in motion by awarding all the key building contracts. Sir Robert McAlpine has won the main building contract, and Matthew Hall and Co. are to carry out mechanical services work. Engineering has gone to H. L. Waterman, while Seifert has, naturally, retained the role of architect. V. J. Mendoza and Partners are appointed as the scheme's quantity surveyors.

Baker Harris Saunders, Richard Main and Teacher Marks acted as agents for Standard and Greycoat on the purchase negotiations. Standard and Greycoat, which is run and owned by Geoffrey Wilson and Stewart Lipton are sticking firmly to the Seifert plans. The total scheme will have 780,000 square feet of

offices, restaurants, shops and space for leisure use with on-site parking. Many of the existing warehouse buildings will be retained, and the new buildings are designed to fit into the general pattern of the site, with brick elevations and landscaped courtyards.

External estimates of the total construction costs range from £30m. to £40m, making the scheme one of the largest ever City of London developments. In terms of size Cutler Street rivals Whitebread's and Trafalgar House's 520,000 square feet Chiswell Street scheme to the north of the Barbican. And news that Cutler Street is to go ahead will mean some complex adjustments to City of London office floorspace projections adding in one go the equivalent of all the speculative office space completed in the City during 1977.

## A dusty showcase

Stockbrokers annual surveys are sometimes controversial, sometimes educative, and sometimes simply long. Quilter Hillon Goodison's review of the sector published to-day, could not be described as controversial. It is a blackboard in print, with Quilter's analysts guiding the reader through a 27 page compilation of statistics, tables, rental charts and revenue projections showing that the market for real property and for property shares looks good in 1978.

It could be that the ghost of the private investor still haunts Quilter's corridors, for otherwise it is hard to see what audience this report is aimed at.

Interesting as it is, the report cannot be taken as a handbook for the hopeful property entrepreneur, nor as more than a very basic guide to the market

for fund managers. Neither is the report packed with constructive criticism of individual companies, for in common with many other brokers, Quilter appears to take a bullish view of the sector to mean a bullish view of all its shares. Out of 40 companies covered in detail the broker recommends a "buy" for 26 and a "hold" for 14. No "sell" recommendations are recorded.

"Hold" may, of course, mean "sell" on occasions, but that is another story. Brokers' annual sector reviews are, of course, no more than a showcase for their research teams. Quilter's 1978 showcase is packed with wholesome, but modestly packaged facts. It's soundly argued case for property will be well received by the market. But there are no fireworks, no controversial views, nothing to spark a debate. Given the quality of the firm's property analysts it is disappointingly dull.

## IN BRIEF

TOM JACKSON, General Secretary of the Union of Post Office Workers, has some strong words to say about pension funds' investment policies in February's edition of the magazine Pensions World, published this week. "Trade unions," writes Mr. Jackson, "are likely to press for socially responsible financial policies on the part of pension funds." Judging by the rest of Mr. Jackson's comments that pressure would not bring cheer to the property market.

Mr. Jackson clearly does not see property investment as "socially responsible." He notes the British Rail fund's works of art, the electricity supply fund's stake in Brighton Marina, and, as a clincher, he reports that "the British Airways fund owns a farm." The Post Office Pension Fund, Mr. Jackson's own, bought £60m. of property last year, including £5m. of farmland.

Mr. Jackson thunders on to say that: "This is a blatant misuse of pension fund resources which have been created by workers and which should have been vested in the manufacturing sector, thereby attempting to halt Britain's industrial decline."

Government proposals that at least 50 per cent. of all pension bodies should be appointed by recognised unions give Mr. Jackson's views a chilling aspect. Hopefully, property investment will look less like a "blatant misuse of funds" to trade unionists appointed to fund management Boards, otherwise the classic "weight of funds" argument that provides such support for the property investment market will look rather redundant.

Financial Times Friday February 10 1978

on site will be used by Anglia as a cold store. Jones Lang Wootton and Edwards Bigwood and Bewlay acted for G.K.N.

OFFICE RENTS in Mayfair and St. James's rose by over 14 per cent. in the past three months, according to Drivers Jones in its latest review of the local market, published to-day. The survey shows that at the beginning of February there was just 488,560 square feet of offices available in the area, 36.7 per

cent less than in November, 1977. Lettings had been averaging around 1m. square feet a quarter over the previous 12 months, but in the pre-Christmas rush for offices the quarterly take-up rose to 410,000 square feet, cutting the number of office units on the market from 225 to 134. This surge in demand has pushed average asking rents from November's £7.79 to £8.90 a square foot, a rise explained in part by the take-up of older, smaller office suites.



Separate divisions within sur-freehold of Land and House veying firms only rarely generate business for each other. But Strutt and Parker's agricultural land advice for the National Freight Corporation's pension fund, NFC Pension Funds, has developed into a fully fledged property consultancy for the 270m. funds. NFC is trying to bring its property investment portfolio up to around 25 per cent. of total funds, and it has gone £2.85m. of the way along that road with the acquisition of a warehouse on the Kims Park Industrial Estate at Bedford. Healey and Baker acted for the vendor.

The fund has bought the

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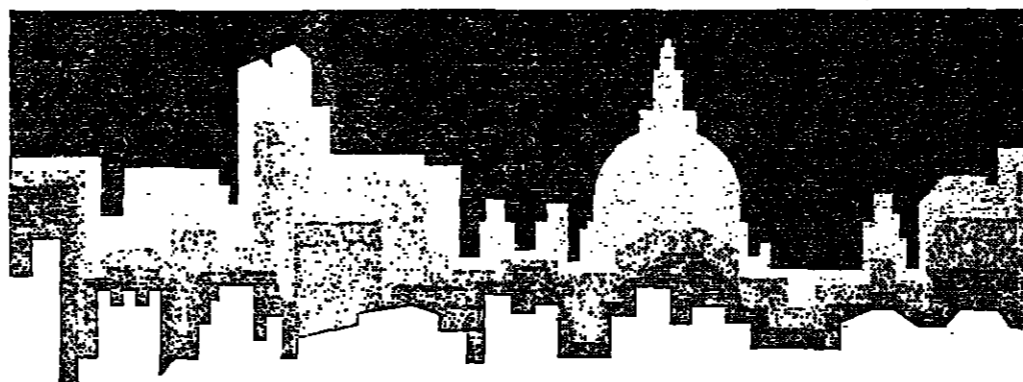
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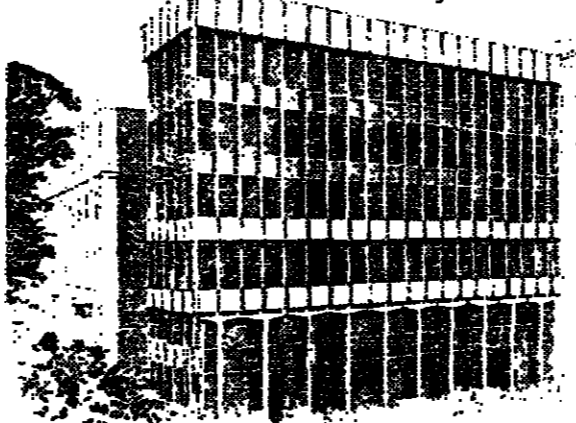
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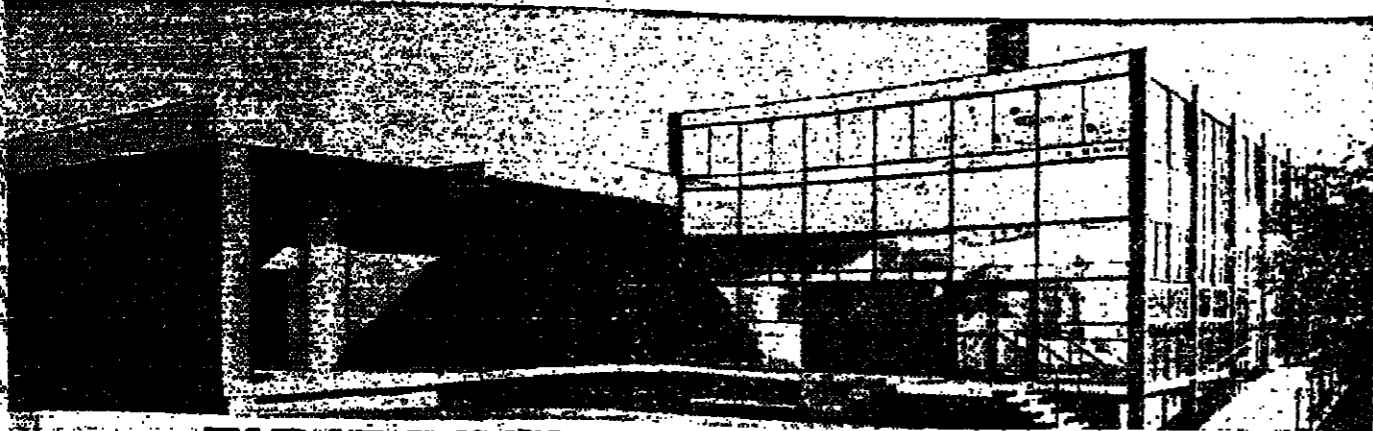
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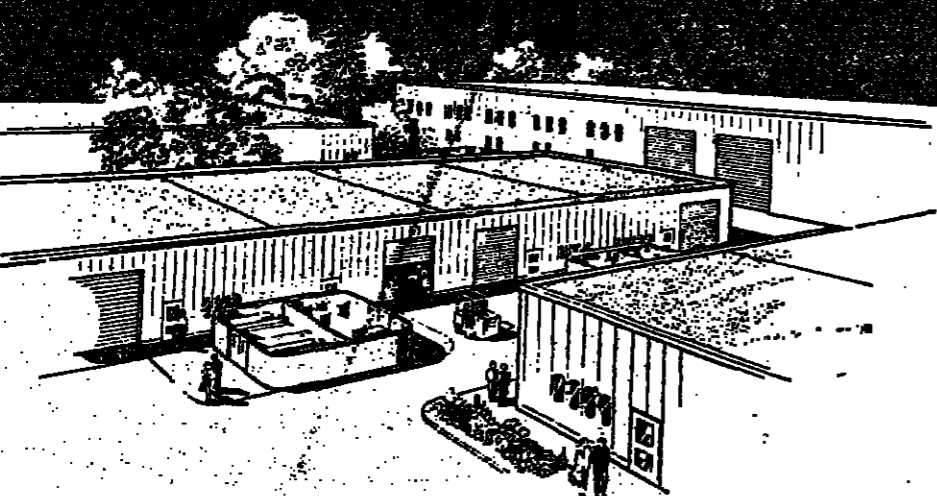
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## PROPERTY DEALS

### Midland's £30m. move to Barnsley

HENRY BOOT Construction's 318-acre Wentworth Industrial Park near Barnsley has been chosen as the home for Midland Bank's new £30m. national computer centre.

Midland will announce to-day that it has bought ten acres of Wentworth Park for the centre, which will house around 450 staff by the autumn of 1980. The deal gives Boot a flying start in marketing its industrial estate, 160 acres of which have been zoned for industrial use. The rest of the land will be turned into a golf course with various estate facilities including a petrol station, post office, a restaurant and a kindergarten.

Boot expects to sell a further 10 to 15 acres of its site to own-developers, and to keep the rest. It plans an 80,000 square feet speculative first phase building programme, with units down to 10,000 square feet and letting for around £120 a square foot. The site lies within the Barnsley planning authority and just five miles from Sheffield. A direct link with the M1 motorway, and with the eastern end of the Manchester-Sheffield Highway should appeal to Northern distributors.

LEX SERVICE Group's former headquarters at 3 to 5 Burlington Gardens, W.1 have been taken over by De La Rue. The security printing and industrial holding company, advised by Hammett Rafferty, paid a premium for the unexpired 24 years of Lex's lease from BP's Pension Fund. The premium equates to a rental of £13.50 a square foot. De La Rue gets around 19,000 square feet of vacant offices and a number of sub-tenants on the first and second office floors, and in-house around the block.

Smith Melzac acted for Lex on the disposal, and on acquisition of the group's new offices, 25,000 square foot in ATV House, 17 Cumberland Place, Lex took over from Smith Melzac's leasehold for a premium equivalent to a rent of £5 a square foot.

BRAZIL'S second largest bank, Banco do Estado de São Paulo S.A. is to pay £13.50 a square foot for new offices at 2, Finch Lane, E.C.3. The bank, which is moving from Plantation House in Finchchurch Street, is taking a 20 year lease on the Worshipful Company of Merchant Taylors' 8,500 square foot Finch Lane building. Stanley Hicks and Son and Matthews and Goodman acted for the Merchant Taylors. Debenham Tewson and Chinnocks acted for the bank.

MERCHANT Investors Assurance Company has had a busy New Year. The group's fund managers, Richard Ellis, have added a £170,000 office in Bath, and a £135m. of industrial space at Enfield to Merchant's portfolio.

The 6,150 square foot refurbished office at 41, Gay Street and 7, Old King Street, Bath.

was once the home of John Wood, the architect who built Bath's Crescent. Circus and Queen Square. Merchant bought the refurbished building, which is let to C. H. Beazer and Sons. Barrington Laurence acted for the vendor.

In the industrial deal, Barnett Baker and Co., and L. E. and J. Levy brought together a private investor's freehold, and a private development company's leasehold on 78,160 square feet of the package to Merchant. Investors, again represented by Ellis. The new scheme in Alpha Road, Enfield, is let in two units to Chubb Alarms and to Sobell (U.K.) for a combined rent roll of £101,000, that gives the fund an initial return of 7 per cent.

WITHOUT sufficient ready made investment properties to soak up institutional funds, many long delayed town centre redevelopment schemes around the country have been dusted down and financed. Walsall, near Birmingham, is the latest town to get the covered shopping centre treatment.

Viking Property Group of Derby announced yesterday that it is to carry out a £7m. development in Walsall, providing 250,000 square feet of shopping space on a four acre site. The site is bordered by Park Street, Station Street, and Bradford Street.

The site was assembled by Viking from land owned by the local authority, Bass Mitchell and Butlers, Land Securities' Ravenscroft Properties, and the National Westminster Bank. The largest section of land comes from British Rail, which has granted a 150-year lease to Viking and its financing partner, the Prudential. The Rail Board is retaining the freehold.

Edward Erdman advised British Rail, and had earlier acted as planning consultant for Walsall Metropolitan Borough Council. Marks and Spencer are the anchor store in the scheme, with a 60,000 square foot three-storey unit that will be built partially on, and over Walsall Railway Station. Viking, which was recently appointed developer of British Rail's 150,000 square foot shopping scheme at Liverpool Central Station, is building another 39,000 square foot store and 46 smaller shops within the Walsall centre. Taylor Woodrow has won the £4m. main building contract.

Further south, Leatherhead's on-off town centre redevelopment, a focus of local debate for nearly 30 years, moved one step nearer to reality this week. The private development group, Woltersted, has now submitted detailed plans for a comprehensive redevelopment of the Surrey town's 4 acre central site. Unfortunately, relations between Woltersted and the Mole Valley District Council are believed to be a little strained. The Council is now discussing the plans, and a decision can be expected in the next few days.

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Page 24

# Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

## DATA PROCESSING

### U.K. mini makers on the move

MAYBE AN ugly duckling, but never a lame one, could be the motto of Digico, the 12-year-old U.K. mini manufacturer which is likely to turn in some £2.8m. this year on present performance, with £4.5m. to follow. The audited 18 months to September returned something over £2m.

Following a rethink in sales policies, the company's output has expanded very fast in the last 12 months and the chairman, Lord Avebury, was able to announce recently record orders, deliveries and revenue/profits. Order backlog is just over £1m. for the first time and for the first four months of the current financial year new incoming orders almost reached that figure.

According to Ken Atkinson, the sales director, Digico has so much experience in linking up equipment to its compact computers and can provide so many interfaces as standard that it is high time the company started to blow its own trumpet.

A few in industry realise that it has around 750 installations in Britain, many of which are in round-the-clock situations demanding the utmost reliability. Worldwide, the company has over 1,000 machines with representation in 14 countries and five more overseas sales centres under negotiation at the moment. There is a considerable amount of development in hand at the

moment to take advantage of the knowledge of research, educational and industrial needs the company has acquired and Digico is sticking to its philosophy of providing an extended high level language with correspondingly more hardware for a given price rather than ability to cope with a whole series of languages but with correspondingly less hardware.

Latest development is to trim down the company's existing 18-bit mini to the lowest possible cost, providing it with one or two floppy discs and all the essentials for scientific or commercial use. The Consort comes in two models, one of which comprises single disc, teletype, BASIC compiler and the processor, under £5,000—ideal for educational or research use. In the second, twin discs, a small printer, a display and 48 kilobytes of system memory provide enough power for many small businesses at £5,500.

Interesting is that the design of the equipment is such that there is no problem in expanding stepwise up to the maximum processor power possible, notionally a stack of five machines linked by a clever 180-way backplane connector, driving enough peripheral equipment to add up to £180,000. This would include 30 terminals.

The company is making grow-

ing use of microcomputers as components to "tweak up" performance of its basic design where this would be an advantage.

At the same time, and while it already can outperform what the Americans are calling "mini" machines, the company has on the stocks a development that will provide a Megabyte of solid-state memory on a single board, for release later this year. This will give multiple users much more power and flexibility.

Digico developers think that solid-state stores can be developed to "look" like discs, but operate at ram speeds, and provide mass storage at relatively low cost.

Digico is expecting a great deal from its display, the Regent, which it is building itself to a specification considerably exceeding the industry norm, as much larger competitors have found to their surprise. It provides 80 characters per line in 24 lines of green on black, with exceptionally large upper and lower case characters and simple switching up through range 110,000 baud. The unit is particularly suitable for operation between two character sets such as English and Arabic, as well as for business forms format displays, etc.

More from the company at Wedgwood Way, Stevenage, Herts. SG9 4SL.

## NORTH SEA OIL

### Samples the crude as it flows

WITH AN annual turnover of about £1m. and nearly £1m. worth of orders in hand, Jiskoot Autocontrol of Tunbridge Wells, Kent, is now exporting between 60 and 70 per cent. of its production of special purpose process control equipment and flow metering systems.

Much of the company's work is for the North Sea oil and gas platform operators who require flow control and sampling equipment and instrumentation for what is known as fiscal transfer, that is, sale of crude oil or gas in determined quantities and quantities. Apart from the buyers and sellers, the Government is a very interested third party.

Jiskoot's latest development is the improvement of an already well established automatic system for sampling crude oil as it is transferred through pipelines from the platform. The company has called it the Series 500 sampler and says it is capable of continuous sampling

at pressures up to 1,500 lbs per square inch. It is suitable for use on most production platforms and at terminals and may also be adapted for other similar applications.

About 60 sampling systems of an earlier type produced by the company are now in service and about one third of these are in service in offshore and onshore North Sea installations. They incorporate a system developed jointly with BP and this system checks continuously that a unit is drawing a sample. Alarms operate in the event of a malfunction and when the sample receiver is full. The system is designed to be operated either from a local control panel or a remote control console.

A by-pass probe fitted into the pipeline draws off oil in minute quantities as samples for analysis and an automatic detector indicates immediately if the oil in the pipeline has been contaminated by water. This method of sampling re-

moves potential causes of dispute over quality between seller and buyer and at the same time ensures that the oil coming ashore is of consistent quality.

Jiskoot also produces equipment for controlling blending operations in refineries and the automatic proportioning of additives. Designed to operate unattended, the additive proportioners are claimed to perform with an accuracy of plus or minus 0.5 per cent.

The company is among the leaders in its field of activity but will be facing some very lively competition soon. Within the next week or so a new consortium of three established companies is expected to announce its entry into the arena. It is understood that a metering service covering the transfer of oil between rigs, the terminals and consumers is to be offered together with equipment much of which will be made in the U.K.

## COMMUNICATION • SHIPPING

### Slides and Mooring can be safer

DEVELOPED by British Hovercraft Corporation is a mooring line monitoring device which the company claims will prevent costly breakdowns of tankers moored at quaysides or offshore terminals.

A problem for tanker skippers and shore staff is knowing when safe loads of lines are being approached as weather deteriorates. If lines part there follows an immediate likelihood of oil spillage. There is also the difficulty of knowing the stress history of the lines and when they should be replaced.

It will automatically record and playback slide changes, has variable speeds of dissolve, superimposition, flashes, etc., and provides 12 W. of sound. Background music, sound effects, commentary, etc. can be added from another tape recorder. Mains powered, the unit is intended for connection to a pair of standard Kodak Carousel S-V 2000 projectors. These can also be supplied in a single case by the company.

More from AVE at 73, Surbiton Road, Kingston, Surrey, KT1 2HG (01-549 3484).

In the BHC system, load on the line up to 500 tonnes is measured by a load cell placed either in a tensile link in series with the line or by a cell housed in shear mode in a shackle pin.

Data from the cell is frequency modulated on to a UHF carrier contained in an adjacent electronics box on the buoy or terminal and is received at a shore station where it can be recorded. An alarm system, preset to a selected level is activated if safe load is exceeded.

More from the company at Cowes, Isle of Wight (098392 4101).

## EXHIBITIONS

### Suppliers form up

A NEW exhibition, Peripherals 78 is to be launched in London in March and on its final day the formal inauguration will take place of the Peripherals Suppliers Association, PSA.

The event will take place at the Kensington Close Hotel, London, W.8 on Tuesday and Wednesday, March 21 and 22. About a dozen U.K. suppliers are involved so far and they will

be showing display units, printers, plotters, carried drives and floppy disc equipment. There will be technical presentations in the afternoon.

More about the event, which is open from 10.00 to 18.00 hours and to which admission is free, from Mrs. H. Gibbons, Atterbury Associates, 40/41, Buntingford Road, Buntingford, Cambs. SG9 9PL (0763 71209).

## ELECTRONICS

### Everything with the chip

AMI Microsystems has a 31-command remote control chip set with keyboard inputs, oscillators, and both analogue and digital receiver outputs all on board.

Consisting of a transmitter and receiver, the set reduces the part count in equipment designed for remote control via radio frequency, infra-red, ultrasonic or hardware transmission media.

Among the applications are motorised toys, home security systems, automatic telephone

calling equipment, industrial controls, TV and stereo controls, and traffic controls for emergency vehicles.

There is no need for external crystals; only a resistor and a capacitor are required externally for a frequency reference. The receiver will tolerate up to 24 per cent. difference in the timing frequency and still operate. But the circuit has very high immunity to noise or spurious commands.

AMI Microsystems, 108a, Commercial Road, Swindon, Wilts. W93 3JAS.

## MATERIALS

### Tough flooring materials

BASED ON a low-viscosity epoxide system with graded flint after 48 hours at 18 degrees C is and silica aggregate, Resicrete is a jointless flooring composition intended for tough, heavy duty applications.

Normally applied 6 mm thick in a loose-textured crumbly form, it can be screeded, trowelled and finished with a resin seal the ease and rapidly. The low flooring is impermeable to viscosity resin system ensures aggressive chemicals and hot freedom from stickiness or trowel drag.

Depending on ambient temperature, the floor may be suit-

Resistance to slip when wet is finished with a resin seal the ease and rapidly. The low flooring is impermeable to viscosity resin system ensures aggressive chemicals and hot freedom from stickiness or trowel drag.

Details from Cellite (Selix), Rough Close Works, PO Box 7, Alfreton, Derby DE5 7AD (077383 4941).

## HAND TOOLS

### Labelling machines

NO RISK of incorrect pricing, no wastage of labels, and printing always in register, are among the claims made for a new range of hand labelling and coding guns introduced by Avery Labels Systems.

Called the Dot series, there are four machines available: a six digit version which prices from 1p to £99.99; eight digits from 1p to £999.99 plus alpha-numeric coding; ten digits from 1p to £999.99 plus alpha-numeric coding; and a two-line model which prices from 1p to £999.99 and offers a wide range of coding plus a "self" facility. This version can also use a variety of special message signs.

Details from the maker at Gardner Road, Maidenhead, Berks. SL6 7RU (0628 38911).

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## RESEARCH

### Looking at vapour leaks

PUMPS IN petroleum and chemical plants are often handling explosive or toxic fluids, and vapour emission from the rotary seals has to be minimal.

Allowable safe exposure for workers over an eight-hour period ranges from less than 1 ppm for the most toxic substances to 1,000 ppm for the less dangerous vapours. The lower level corresponds to leakage rates of about 50 micrograms/minute, which could only be measured with equipment similar to that used for gas chromatography.

To investigate vapour emission from rotary seals the Mechanical Engineering and Machine Tools Research Board of the Department of Industry has awarded a £25,000 contract to the British Hydro-mechanics Research Association (BHRA).

Engineers from BHRA will visit selected industrial sites to detect the effectiveness of rotary seals in containing volatile fluids which could be hazardous if they escaped. It will be established whether existing seals can adequately control emissions in critical applications, and it is hoped to publish numerical emission values to assist plant designers. BHRA, Cranfield, Bedford, MK43 0AF (0524 75642), would like to hear from plant operators willing to allow emission levels to be measured. Results would, of course, be available to participants together with a copy of the final report.

## PROGRAM FOR SUCCESS IN CWMBRAN NEW TOWN



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## The Management Page

## Why robots and trolleys may hold the key to Fiat's future

Terry Dodsworth explains how Fiat is using robots and trolleys to increase production flexibility and save on capital expenditure



MOVING production line, the new production line, is more automated and is expected to be as productive as the old. The new system of welding to assemble car bodies has been designed by the Fiat machine tool subsidiary COMAU. The idea is to move the car body along the production line while the welding is done, thus avoiding the need for a separate welding station. This is a significant improvement on the old system where the car body was stationary while the welding was done. The new system is expected to increase production flexibility and save on capital expenditure.

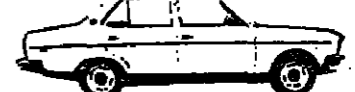
the kind which are now a familiar sight in many car factories — the welding mechanism is positioned at the end of a long trolley which picks up the car body and moves it along the production line. The trolley is controlled by a computerised system which picks up the car body and moves it along the production line. The trolley is controlled by a computerised system which picks up the car body and moves it along the production line. The trolley is controlled by a computerised system which picks up the car body and moves it along the production line.

the automatic trolleys. These are because welding lines, which already in limited use at the Mirafiori plant in Turin, contain a lot of fixed equipment. But the company is now planning to put the Robogate welding system into full operation on the production lines for the launch of a new model this spring. If the system works satisfactorily under the pressure of all-out, day-to-day production, Fiat hopes to see two main payoffs. The first lies in marketing. The Robogate system should eventually give the company the ability to obtain much more production flexibility than in a traditional factory. This is but in the longer term there is

no reason why they should not be programmed to take more. This means that the company should be able to match the pattern of demand more closely than in the past. In effect Fiat is escaping from the straight jacket of standardisation which volume manufacturing has inflicted on car manufacturers as the penalty for increased productivity through high levels of automation. The company is now aiming for both automation and production lines which do not take one standard product in the interests of high volume as was the classic case with the Model T Ford.

therefore be amortised over a wider range of models than in conventional practice. One other result of the Robogate system will be to alter the character of the work on the production lines. Fiat does not foresee a large-scale reduction of the labour force, although there will probably be some slimming. But the character of the work will become much more skilled, because more of it will be in looking after robots.

The company says the unions are in favour of this because it



Second, in the long run the new system may well reduce the requirement for capital expenditure. When a new model is introduced it will not be necessary to tear up or radically alter all the old lines. The trolleys and robots can simply be adapted and reprogrammed. Fiat calculates that about 70 per cent of the total capital of the system is attributable to the fixed components in it, the other 30 per cent being attributable to the cost of specific models to be assembled. Costs can

avoids the monotony of the production line and increases earning power. Fiat itself is in favour because it appears to be a neat technological answer to the familiar union objection to being hauled off one production line to go to work on another. As a Fiat executive puts it: "If the men will not go to the job, the job has to go to the men. That is what we are doing."

just over four years Glen Electric has become what it claims to be the largest manufacturer and exporter of domestic heating appliances in the British Isles. Giles Merritt reports

## Radiating new heat in Ulster's economy

NEWRY is a town unused to figure in secret, and for 1978 it has new Ulster's anticipates £5m. sales from it, a year in state aid to survive even in its present emaciated form.

Glen's image, now that it has some of the most vicious shot from nowhere to become a Northern Ireland, and an industry leader, is inevitably the quietest now that it is an acquisition-hungry, battered, and powerhouse. The truth is that a pond of air of place where it combined good luck with most one man in three is on good judgment, is still very conscious of its humble beginnings and somewhat taken aback at its industrial rags-to-riches story and fame. Martin Naughton would be remarkable by one of the co-founders of the standards. In the faltering also mildly tickled by the fact of Northern Ireland, that they are southern Irishmen probably unique. On the out-taking giant strides in a British is of town, not far from industry. "If people are saying the British Army until the paddies are coming, watch only maintained a sand-out," chuckles Naughton, "then get mini-fortress, a new that's no bad thing."

Until August 1973 all five Glen directors worked as middle-management for the Irish Republic's large AET electrical appliance manufacturer, a factory north of Dublin. They were convinced that a ready market for low-cost "utility" heaters would exist and that a small, low-overhead operation could survive. They calculated that £150,000 would be needed to start up, but when seeking a venture, the finance they turned to Ulster in the belief that Ireland's development agencies would scarcely help when AET already dominated the Irish market.

The Northern Ireland Finance British heater manufacturer Corporation—nowadays called Glen's managing director, the Northern Ireland Development Naughton, describes as agent Agency—put up £80,000 a Rolls-Royce of our industry and took a 60 per cent equity. The analogy is not too far from the fact. It also, says Naughton, "held an option to elvership. Despite an undie-dump us if there were heavy ed, quality image, and an losses, and to take over itself." nings record that resulted in Factory premises were found on shares being 83 times over Newry's not over-crowded scribed when it went public Greenpoint industrial estate and, the mid-1960s, Dimplex had together with their own cumbed to the recession and mortgage borrowings and a bank other problems. loan, Glen was in business by the acquisition of Dimplex, October 1973. The shakiness of eit a drastically scaled-down its launch was emphasised when dow of its former self, has at the last moment two other rnight pushed Glen Electric AET managers who seemed in the merely successful into essential to the breakaway move- big time. It bought Dimplex ment decided they dare not risk about £2m, "the precise their livelihoods. As a vary



An all too familiar scene in Newry-Glen Electric's home town.

supermarkets, Woolworths, and House of Holland direct, thus cutting out the middle-man and improving profit margins. Thanks to the oil crisis and the recession, this marketing tactic gave Glen an advantage almost immediately. There was the silver lining to the cloud that ruined Dimplex, for the British brand leader was over-reliant on the storage heater market when that collapsed. Glen had originally budgeted for sales of £400,000 in 1973 and was prepared for small losses, but hoped to break even the following year with sales of £600,000. In the event, its first year turnover topped £400,000, yielded a small profit and by 1975 sales were over £1m.

By early 1977 sales were set to pass £2m, and profits had already allowed the Glen directors to buy back equity so that they owned almost 80 per cent of the company. The range of radiator and con-vector heaters had been expanded to include a clothes-dryer and £750,000 was invested in a subsidiary called Green-point Appliances, also on the Newry estate, to make small

products such as kettles. Glen was no longer simply a thriving workshop but a fully-fledged industrial manufacturer, and one of the chief reasons for establishing a physically separate subsidiary was Martin Naughton's conviction that units employing more than 200 people are hard to manage. Last September, to complement the Greenpoint Appliances operation, Glen took over a small Welsh manufacturer called Haddock Horstman, thus adding a fan heater, towel rail, window fan, table cooker and greenhouse heaters to the range.

Right now Martin Naughton is hiring a financial controller from Mitsui Denman, a Japanese-owned company in Cork, and thinking about graduate recruitment as a basic policy. Most of the management donkeywork he is still doing himself, but that is scarcely surprising in a business that is still slightly amazed at its own success and the way things have developed. It is, backed once more by NIDA cash and the enthusiasm of Arthur Anderson, the Newry company decided to make an offer.

## Moving towards the better manager

COMPANIES should provide far greater in-house job mobility for their managers so that individuals can expand their horizons and show what they can do, Mr. David Montagu, chairman and chief executive of Orion Bank, told a seminar on management pay and productivity last week.

Mr. Montagu said it was essential that a company's management structure be as flexible as possible. This flexibility was only possible if an organisation had a really well planned training system the purpose of which was to extend a manager's professional experience, make him competent in a variety of fields, and test him in challenging new situations.

## Reluctance

"Too often, companies which have engaged an individual in one area, are quite content to let him perform, either well or indifferently, just in that area," Mr. Montagu said. "The reluctance to test him elsewhere is understandable, the usual excuse being that he is fully occupied earning his keep in that position; but it is nonetheless a long-term waste of assets."

"The need to have a continuous programme of training touches on a fundamental point about management structure: that is, encouraging interchangeability of staff in order to guarantee a continuity of succession."

"A well organised system should make it a positive policy to make certain that nobody—and that includes the chief executive—is indispensable. It does not mean this in the long-term sense, I mean it in the sense of having managers and directors who are capable of

taking over in an emergency, or during a sudden rush of projects or in some similar situation. This presupposes that the substitute is qualified and this can only be achieved by training."

Mr. Montagu admitted that it was pointless detaching a busy specialist from a particular project just because a vacancy had arisen elsewhere. Yet in principle, flexibility could only be maintained by presenting managers with new challenges. He said training should be jointly planned by managers and their personnel departments so that the needs of both the individual and the organisation were matched. A similar, joint approach should be taken to the monitoring of a manager's performance.

"The main point is that monitoring it should have the active participation of those involved. I am not suggesting an endless process of Maoist group self-examinations at the end of the working day."

## Effective

"At the other end of the monitoring spectrum is the situation where the executive suddenly finds his name no longer on his desk. Somewhere in between lies an effective process: where what an individual thinks he is doing is measured against a reasonably objective assessment of those with whom he works and to whom he reports. In this way the road to promotion can be agreed and the milestones ticked off as they come into view."

The seminar, which was held in London, was organised by Berntson International and ORC (U.K.).

Sue Cameron

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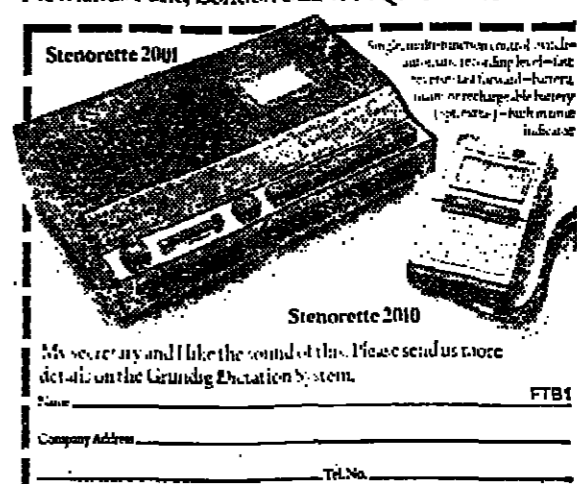
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# Prussian poser

by NIGEL ANDREWS

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cannot remember exactly  
I said about Fassbinder  
Briest when it was premi-  
he 1974 Berlin Film Festival.  
I know I disliked the film and  
and people to stay away  
old it ever come to London.  
ereby—and not for the first  
e in my critical life—eat my  
as. My only excuse for the  
y aberration was that I was  
er the influence of having  
read (homework, not coinci-  
dence) the novel by Theodore  
tane, which tells the story of  
young girl whose spirit is  
ken by the oppressive pro-  
ties of 19th century Prussian  
ety, and expected Fassbinder  
provide a loving and opulent  
reation.

Instead Fassbinder has done  
quite rightly, his own thing,  
has not given Fontane's story  
BBC Classic Series treatment,  
sh with gorgeous colour,  
ring costumes and spurious  
umentation. Instead he has  
le a 24-hour meditation in  
k-and-white: a film which not  
nuch "dramatises" Fontane's  
ld (synonym too often for  
amorous") as readers it

down into all its chilling, con-  
tentious, disorderly.  
Fontane's heroine was a young  
girl, daughter of a wealthy busi-  
nessman living near Berlin, who  
is gently pushed into marriage  
with an older man who once  
courted her mother. The "gentle  
pushing" is done partly by her  
parents, partly by the encourage-  
ment of a society which sees in  
the sacrament of Respectable  
Marriage a sort of universal  
moral cure. Her husband is a  
Prussian diplomat, Herr Insit-  
tent, a kind, worthy, boring man  
with whom she settles, at first  
unwillingly, into a kind of  
bleak contentment. But she  
meets a handsome major and has  
a secret affair with him. When  
news of the liaison accidentally  
leaks out years later, she is  
renounced by both her husband  
and her parents. But this is a  
society that first wounds with  
cruelty, then kills with kindness.  
Her parents take her back, too  
late for her health and her  
morale ever to recover from the  
blow, and nurse her gently  
through her dying days.

Fassbinder's film engages our  
sympathies to the full, but it goes  
daring and indifferent, what  
about doing so. The story is held  
at arm's length, as it were, with  
static camerawork, slow, mes-  
surised performances, a voice-  
over narration, the use of  
"chapter titles". But far from  
seeming bookish and remote as  
a result, the treatment leads us  
tight into the cold heart of  
Fontane's society. Fassbinder's  
decor is marvellously apt. Mir-  
rors, paintings and neo-classical  
statuary about mirrors for  
self-regard and self-importance.

paintings and statues for a  
society frozen into predetermined  
poses by moral and aesthetic  
orthodoxy. In many of the film's  
shots you have to blink twice  
before working out which are  
the live characters and which are  
the objects d'art.

To call a film like this "excit-  
ing" will seem sheer perversity  
to anyone who has sat through  
it, as I did the first time, with  
glazed and gloomy exasperation.  
But I have never seen a more  
brilliant solution to the problem  
of translating a book to the  
screen. Fassbinder has not tried  
to sweep the film's literary an-  
tecedents under the carpet: he has  
made them part of the film's  
style. In some scenes, the voice-  
over narration continues the story  
into the future while the visual  
images fix it in the present.  
Thus we hear of an impassioned  
passage of love between Effi and  
the Major, while what we see is  
a shot of them sitting on the  
beach in self-absorbed (and  
fully clothed) immobility. Any  
implied vitality and passion in  
the commentary is thus choked  
back by the visual evidence of  
the images: just as Effi's own  
fading soul and vivid imagin-  
ings are constantly choked back  
by social reality.

Far from being merely a sub-  
versive moral tract in the guise  
of a film—as some may suspect  
—Effi Briest is full of beauti-  
fully quirky individual touches.  
Fassbinder has even managed to  
make the story morbidly funny  
at times: a task that defeated  
Fontane, or else one that he  
never attempted.

jealous housemaid Johanna is  
turned, in Irm Hermann's per-  
formance, into a domestic harpy  
with a death-mask face: photo-  
graphed in one shot in sinister  
adjacency to a meat-cleaver on  
the wall. None of the main  
performances, furthermore, is  
handicapped by the prescribed  
emotional austerity. Wolfgang  
Schenk's Insistent convinces  
us of the depths of his misery  
over his wife's infidelity; and  
Hanna Schygulla's Effi is a  
superb study in slow-motion  
despair and stubbornly elated  
illusion. There is not a better  
film than this to be seen in  
London.

Justine, produced by the  
British Film Institute Produc-  
tion Board, tackles similar book-  
into-film problems in its adapta-  
tion of the novel by the Marquis  
de Sade. Like Fassbinder, its  
three co-film-makers, Stewart  
Macdonald, Oliver Meyer and  
Nigel Perkins, have refused to  
concede or apologise for the  
"literariness" of their material.  
In largely motionless takes the  
actors stand about amid dark  
settings reciting with flat and/or  
haughty tones, but the music of  
dialogue taken straight from the  
novel. It is a "hold" film, in its  
way, but an oddly perverse and  
useless one. The modern  
cinema's Brecht-worshipping  
revolt against audience involve-  
ment is here taken to a ludicrous  
extreme. While the soundtrack  
offers ample time to savour de  
Sade's scandalously compelling  
philosophy, the film's images are  
neither scandalous nor com-  
pelling, nor seem to boast any  
purpose at all. Artlessness for  
artlessness' sake is the result: a  
demolition job on traditional art  
that offer to put up no valid or  
interesting structure in its place.

In The Crazies we learn what  
happens to a small American  
town when an airborne con-  
taining germ warfare virus  
crashes nearby, disseminating  
madness and homicidal passions.  
The army marches in: Wash-  
ington dithers, then panics about  
what to tell the Press; and a  
group of rebellious townspeople  
unaffected by the disease try to  
break the imposed quarantine.  
The director George A. Romero  
made that brilliant horror film  
of yesterday Night of the Living  
Dead and has tried for the  
same magic formula here: the  
spread of a sinisterly dehumanis-  
ing disease, the terror and  
hysteria created in a small group  
of cornered "innocents". But  
although Romero whips the plot  
along at a furious and impres-  
sive pace, the absurdities are  
more noticeable than in the  
earlier movie, the shocks less  
visceral. It's good by the  
standards of any other horror  
director, not by Romero's own.

Tracks joins company with  
The Crazies in a good-value  
double-bill at the Screen on  
Islington Green. Unlike George  
A. Romero, Henry Jaglom is a  
director who could only have  
improved after his first feature  
film, the winsome and insuffer-  
able A Safe Place. Tracks is a  
scatty, engaging, atmospheric  
little film about an ex-Vietnam  
soldier (Dennis Hopper) travel-

ling by train across America to  
bring back and bury the body  
of a friend killed in action.  
Virtually the whole film is set  
on the train, and it is a series  
of oddball encounters between  
Hopper and his fellow pas-  
sengers: Taryn Power, Dean  
Stockwell and James Frawley  
among them. The film's touch  
is light but eerie: the script is  
well-shaped (with a surprise  
denouement that I shan't  
spoil), and Hopper's own per-  
formance is good, but one  
wonders why he wasted half his  
movie career playing psychotic  
juveniles in variously distin-  
guished Westerns.

Candleman might have been  
conceived by a computer called  
upon to produce the definitive  
pastiche of a 1970s Disney film.  
Here the little homeless orphan  
being integrated into a new  
family: here is the affectionate  
but wildly anachronous picture  
of British aristocracy; and here  
is a plot about mistaken iden-  
tity, hidden treasure and other  
ready-packaged mysteries wait-  
ing to be unravelled in the last  
reel. Jodie Foster is the  
American girl whose villainous  
Leo McKern tries to pass off  
as the long-lost daughter of  
English marchioness Helen  
Hayter, who is an insatiable  
"case the joint" for a suspected  
board of Spanish doubloons;  
and David Niven is the butler  
who tries to keep his tax-stricken  
servants (Niven keeps popping  
mistress's spirits up by pretend-  
ing she still has a staff of  
into disguise as the ardent  
the chauffeur or a neighbour-  
ing squire). In fact, one does  
the film a disservice by in-  
voking computers. Despite the  
formula plot, it has more life  
than its recent predecessors,  
and more surely and entertain-  
ingly to a spirited climax.

Can Evel Knivvel follow  
Muhammad Ali into the world  
of the duck? Knivvel, who has  
and true Hollywood success.  
The short answer, to judge by  
Viva Knivvel, is no. For his  
first venture into film stardom,  
Mr. Knivvel has chosen to  
appear in a pastiche-and-scissors  
Bourne of quite breathtaking  
manly. As a death-defying  
stunt cyclist his main problem  
here is not the hazards of the  
job but a conspiracy by a con-  
sortium of Hollywood villains to  
get him killed in a stunt in  
Mexico so that the famous and  
apparently untouchable Evel  
Knivvel trailer can be driven  
back to the U.S. loaded with  
heroic. Gene Kelly co-stars as  
Knivvel's liquor-prone chief  
mechanic, Lauren Hutton  
elaborates on her Welcome to  
a role as an enigmatic photo-  
grapher. Mr. Knivvel as Mr.  
Knivvel is, sad to report, as  
stunt on charm as he is on act-  
ing talent.

## ENTERTAINMENT GUIDE

C.C.—These theatres accept certain credit cards by telephone or at the box office.

### OPERA & BALLET

**COVENT GARDEN**, CC, 240, 1006.  
Tonight, 7.30 p.m. and 9.30 p.m.  
Tomorrow, 7.30 p.m. and 9.30 p.m.  
Wednesday, 7.30 p.m. and 9.30 p.m.  
Thursday, 7.30 p.m. and 9.30 p.m.  
Friday, 7.30 p.m. and 9.30 p.m.  
Saturday, 7.30 p.m. and 9.30 p.m.  
Sunday, 7.30 p.m. and 9.30 p.m.

### THEATRES

**ALFRED BECK CENTRE, HAYES**  
Tonight, 7.30 p.m. and 9.30 p.m.  
Tomorrow, 7.30 p.m. and 9.30 p.m.  
Wednesday, 7.30 p.m. and 9.30 p.m.  
Thursday, 7.30 p.m. and 9.30 p.m.  
Friday, 7.30 p.m. and 9.30 p.m.  
Saturday, 7.30 p.m. and 9.30 p.m.  
Sunday, 7.30 p.m. and 9.30 p.m.

### AMATEURS

**AMATEURS**, CC, 01-336 1171.  
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Wednesday, 7.30 p.m. and 9.30 p.m.  
Thursday, 7.30 p.m. and 9.30 p.m.  
Friday, 7.30 p.m. and 9.30 p.m.  
Saturday, 7.30 p.m. and 9.30 p.m.  
Sunday, 7.30 p.m. and 9.30 p.m.

### ARTS THEATRE

**ARTS THEATRE**, CC, 01-336 2123.  
Tonight, 7.30 p.m. and 9.30 p.m.  
Tomorrow, 7.30 p.m. and 9.30 p.m.  
Wednesday, 7.30 p.m. and 9.30 p.m.  
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Saturday, 7.30 p.m. and 9.30 p.m.  
Sunday, 7.30 p.m. and 9.30 p.m.

### ASTORIA THEATRE

**ASTORIA THEATRE**, CC, 01-336 2123.  
Tonight, 7.30 p.m. and 9.30 p.m.  
Tomorrow, 7.30 p.m. and 9.30 p.m.  
Wednesday, 7.30 p.m. and 9.30 p.m.  
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Saturday, 7.30 p.m. and 9.30 p.m.  
Sunday, 7.30 p.m. and 9.30 p.m.

### BEST MUSICAL OF THE YEAR

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Tonight, 7.30 p.m. and 9.30 p.m.  
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Friday, 7.30 p.m. and 9.30 p.m.  
Saturday, 7.30 p.m. and 9.30 p.m.  
Sunday, 7.30 p.m. and 9.30 p.m.

### CANDIDATE

**CANDIDATE**, CC, 01-336 2123.  
Tonight, 7.30 p.m. and 9.30 p.m.  
Tomorrow, 7.30 p.m. and 9.30 p.m.  
Wednesday, 7.30 p.m. and 9.30 p.m.  
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Saturday, 7.30 p.m. and 9.30 p.m.  
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### CONCERT

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Tonight, 7.30 p.m. and 9.30 p.m.  
Tomorrow, 7.30 p.m. and 9.30 p.m.  
Wednesday, 7.30 p.m. and 9.30 p.m.  
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Saturday, 7.30 p.m. and 9.30 p.m.  
Sunday, 7.30 p.m. and 9.30 p.m.

### CRITERION

**CRITERION**, CC, 01-336 2123.  
Tonight, 7.30 p.m. and 9.30 p.m.  
Tomorrow, 7.30 p.m. and 9.30 p.m.  
Wednesday, 7.30 p.m. and 9.30 p.m.  
Thursday, 7.30 p.m. and 9.30 p.m.  
Friday, 7.30 p.m. and 9.30 p.m.  
Saturday, 7.30 p.m. and 9.30 p.m.  
Sunday, 7.30 p.m. and 9.30 p.m.

## Piccadilly

# Privates on Parade

by B. A. YOUNG

The Royal Shakespeare Com-  
pany's productions always seem  
better at a second view, no  
doubt because they open cold,  
or at best only with the chill  
off. Let me now say that Peter  
Nichols's *Privates on Parade*  
must surely be the happiest  
evening in the London theatre  
to-day.

What seems to have bugged  
me last year was a melodramatic  
quality in the serious sub-plot  
concerning the gun-running,  
black-marketing Sergeant-Major,  
played now by Shaun Curry.  
Any such objection is banished  
this time by the excellence of  
almost everything else.

The story is only incidentally  
what matters is its there to  
provide a foundation for Mr. Nichols's  
vivid characterisation of the  
members of the Combined Ser-  
vices Entertainment Unit whose  
adventures we follow: for his  
irrepressible remarks on the politics  
of the British in Malaya in 1945;  
and for his nimble talent for  
comedy and lyric-writing.

Half the unit are gay, their  
leading man, Acting Captain  
Terri Dennis the gayest of all.  
Denis Quilley has already had  
awards for this glittering per-  
formance, and it others as  
brightly as ever. He speaks the  
camp lines ("that Bernadette  
Shaw! She's such a chatter-  
box!") as to the manner born,  
and tears off splendid imitations  
of Marlene Dietrich, Vera Lynn,  
Nora Coward and Carmen  
Miranda (with a set of long red  
reach-me-down fingernails). Not  
only are these fine imitations,  
the songs themselves contain the  
element of mockery in the lyrics  
and in Denis King's music, that  
is necessary for good parody.

The innocent play on words in  
the play's title gives rise to  
similar puns almost endlessly  
throughout the evening, and  
never with the least sign of  
strain or cheapness.

Nigel Hawthorne repeats his  
outstanding performance as  
Major Flack, the muscular  
Christian officer in command of  
the unit, always ready to go into  
an improving speech to his men  
about the duty of God and  
King, his gently rolling periods  
given sudden emphasis on the  
final words of each speech and  
larded with the phrases he  
imagines will appeal to the  
troops, such as "I shall stone the  
crows". To bad that when he  
attempts to make tactical  
use of his strolling players he  
should discuss his operation in  
front of two Chinese mess ser-  
vants who belong to the Chinese  
Communist forces, and so  
involves them in an ambush.

The rank-and-file of the unit  
are polished now into a row of  
sharp-edged soldiers. Joe  
Melia as the stores corporal from  
Birmingham shows a deep pathos



Joe Melia and Denis Quilley

as a simple, normal man accept-  
ing the ministrations of his gay  
friend Corporal Bishop (Tim  
Wylton) out of loneliness and  
lack of imagination. Steven  
Flowers, the youngest with  
liberal ideas about education.  
Young-Love, the aggressively  
lovesick conjurer, Kevin Car-  
wright, who wanted to be a  
bomber navigator, are sym-  
pathetically played by Ian  
Gelder, Simon Jones and Neil  
McCaull, and Emma Williams is  
as radiant as ever as the Anglo-  
Indian girl with her touching  
illusions. Even the two non-  
speaking Orientals, Cecil Cheng  
and Eli Kusuhara, offer  
individual personalities.

Michael Nichols's direction,  
coupled with the ingenious sets  
by Michael Annals, keeps things  
moving at a great pace from  
scene to scene; by my reckon-

ing the running time is 15  
minutes or so less than before.  
At two hours and three-quarters,  
it is not a moment too long.  
I would have been happy to stay  
in my seat and see it all over  
again.

## Tommy Steele show is ITV's entry for Montreux Festival

Thames Television's musical  
hour, Tommy Steele and a group,  
has been chosen as the Indepen-  
dent Television companies' entry  
to the Golden Rose of Montreux  
Festival, which takes place  
from May 6 to 13. The  
show, presenting Steele in one  
of his rare TV appearances, was  
devised by the entertainer to  
celebrate his 21 years in show  
business.

## Bluebeard, Schicchi

by MAX LOPPERT

When Glen Byam Shaw's pro-  
duction of *Bluebeard* was first  
given in 1972, it was paired with  
Stravinsky's *Schicchi*. The two  
operas, both of which are  
autumnal, and well-matched  
able bill of 20th-century opera,  
not apparently, a very  
red-pulling one. So now the  
two have been revived in tan-  
dem with a new production of  
ciné's *Ginnel Schicchi*. The  
combination is satisfying in a  
different fashion: darkly  
wing psychological drama re-  
vealed and contrasted by brilliant  
comic comedy. Both works  
ended on two very different  
notes. *Bluebeard* is a darkly  
combination, is satisfying in a  
different fashion: darkly  
wing psychological drama re-  
vealed and contrasted by brilliant  
comic comedy. Both works  
ended on two very different  
notes.

Byam Shaw's staging (now  
red by David Ritchie), in  
which Koltai's strikingly simple  
energy, and in Robert Orton's  
blue lighting, both the outlines  
of the interior of Bartok's rich  
of deeply moving drama find  
precision, and do so with  
understandable succinctness. The  
dark wants a balance of realism  
and symbolic suggestion in its  
spiration. That balance is here  
brought by the patterns of light  
and silver screens, in which is  
swept out the unlooming of the  
even doors. Perhaps (from row  
in the stalls) the screens look  
little rumpled; and perhaps  
the opening of the fifth door,  
which should reveal a mighty  
veep of the Duke's broad-  
chests a sense of the Duke's  
 Otherwise, the picture is not only  
continuously fascinating to look at,  
it affords a remarkably just  
and poetic reflection of the  
vents in the score.

By Elizabeth Connell and  
wyne Howell the music is  
rally sung; and by Charles  
roves it is securely conducted.  
The opening of the fifth door,  
that is one of the most thrilling  
ounds to be heard in this  
theatre for some while. But her  
laging is more than brilliantly  
laced and pulsate in her  
gleam and highly charged de-  
very of them. Mr. Howell is  
bass of equal amplitude and  
deceitly contrasted mellowness  
of timbre. In addition, he achieves  
in economy of gesture and re-  
sistant of bearing, which his  
ludith, with her tussling, lively  
sical and her movements, in-  
sical and her movements, in-  
sical and her movements, in-

## Alfred Beck Centre, Hayes La traviata

by ELIZABETH FORBES

University groups who choose  
to stage operas as well-loved as  
*La traviata* invite comparison  
with grandeur, fully professional  
performances; on the other hand,  
theatre managers quite naturally  
prefer full houses to empty ones.  
Brunel Theatre Arts drew a  
respectably sized audience to the  
Alfred Beck Centre at Hayes on  
Tuesday for Ted Knight's pro-  
duction of Verdi's opera, but  
invariably the result was a com-  
promise between ideals and re-  
sources. The acoustic of the  
Centre's pleasant auditorium is  
dryish, despite "assisted reso-  
nance," but a greater handicap  
is the depth of the pit, the cause,<  
no doubt, of some faulty  
ensemble.

Mr. Knight's staging, in simple  
but perfectly adequate settings  
designed by David Groves, con-  
centrates on Violetta, and does  
not try to shift any moral blame  
on to her environment. The most  
original element in the production  
is in the characters of the  
elder and younger Germont,  
who are presumably a chance effect  
of the casting. Alfredo Clyde's stiff,  
unrelaxed Alfredo contrasts  
rather strangely with Louis Berk-

## Mr. Punch

by DOMINIC GILL

The concert given by the Fires  
of London on Wednesday under  
their director Peter Maxwell  
Davies contained a new work,  
*Mr. Punch* by Michael Finnissy.  
The piece is intended by the  
composer to transform the ordi-  
nary material of a traditional  
Punch and Judy show into "a  
more personal vision: being the  
sieve through which it is filtered  
and extensively re-moulded."  
There are, one can imagine, a  
thousand ways to filter and re-  
mould; Mr. Finnissy's choice was  
to offer us, courtesy of Barry  
Smith's Theatre of Puppets and  
very fine they are too), a short  
Punch and Judy show with in-  
cidental music for five instruments  
and percussion.

The music was attractive, but  
exceptionally slight; a sequence  
of sound-effects and instrumen-  
tal encouragements which  
hardly ever managed to achieve  
prominence among, let alone  
partnership with, the visual  
material. A chance missed, too,

a Punch and Judy could rise,  
after all, to a truly effective  
dialectical accompaniment. Mary  
Thomas did all the voices, in  
her fashion very fetchingly (her  
part was noted in a sort of  
speechless on staves, though  
it could just as well have been  
written on a single line and  
marked "with lively expres-  
sion"). The piece was an-  
nounced as a "first performance  
staged"—but what kind of  
effect could it possibly have  
without puppets?

The Fires ended their evening  
with a performance of Davies's  
*Hymn to St. Magnus*, and  
began it with two other Davies  
pieces—a fine, pungent perfor-  
mance of *Hymns* for clarinet and  
piano given by the Fires' new  
clarinetist David Campbell  
with Stephen Pruslin; and a  
gentle, house-warming account  
of Davies's arrangement of the  
Dunstable motet "Veni sancte  
spiritus"—mistily paraphrased,  
crystal pool, quiet as the lapping  
of water.

## FINANCIAL TIMES

BRACKEN HOUSE, CANNON STREET, LONDON EC4P 4BY

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Friday February 10 1978

## Governor's philosophy

THE PRESENT Government, only a policy to restrain wages and with them the Governor of the Bank of England, are often accused by their critics of being monetarist—or being prepared to sacrifice growth or competitiveness, or what some Labour backbenchers may regard as an appropriate budget strategy, on the altar of a simple-minded determination to control the money supply. In his Mait lecture yesterday, Mr. Gordon Richardson provided his fullest answer yet to such criticisms by explaining at length his non-dogmatic devotion to monetary control. For him it is a pragmatic philosophy, not a religion.

## Interest rate

The emphasis on the quantity of money rather than the level of interest rates as the objective of policy has partly been a matter of necessity, he explained: in a world of rapid and rapidly fluctuating inflation, it is quite impossible to define an "appropriate" level of interest rates, so that to pursue an interest rate policy would be to navigate without a chart. There is no such fundamental difficulty about setting a target for the quantity of money, though there are many technical problems of definition: but apart from providing a guide for policy, a monetary target has other important merits. It provides one element of stability in a turbulent world (though its credibility depends on the success of the authorities in maintaining their target). It is readily understood by the man in the street—the quibble about the argument's academic nature is far less important. It also gives early warning of problems with fiscal policy.

The Governor does not, however, regard monetary control as a self-sufficient economic policy—and here he differs sharply from those of the true Friedmanite faith. He believes specifically in the management of demand and of the exchange rate, so long as these policies do not destroy the monetary policy; and he also sees an important role for incomes policy. In the longer run, it is true, the Governor hopes that experience of firm monetary control will spread the conviction that inflationary actions must be reduced rather than increased, which implies that the need for wage control could vanish; but at present

the Governor does not, however, regard monetary control as a self-sufficient economic policy—and here he differs sharply from those of the true Friedmanite faith. He believes specifically in the management of demand and of the exchange rate, so long as these policies do not destroy the monetary policy; and he also sees an important role for incomes policy. In the longer run, it is true, the Governor hopes that experience of firm monetary control will spread the conviction that inflationary actions must be reduced rather than increased, which implies that the need for wage control could vanish; but at present

## Why safeguards must stay

RELATIONS BETWEEN the Confederation of British Industry and the Prices Secretary, Mr. Roy Hattersley, have been strained considerably by his decision to include a clause requiring compliance with the Government's pay policy in all contracts between public sector bodies and private sector suppliers. They will be strained still further if he demonstrates too much sympathy with a motion put down by a Labour backbencher, which would remove the safeguard clause which allows companies under investigation by the Price Commission to raise their prices if this is necessary to prevent profit margins from being eroded beyond a certain point. The Government is unlikely, in fact, to make an immediate move in this direction, but Mr. Hattersley is believed to have been annoyed by the way in which several companies, with proposed price increases under investigation, have been able to secure a large proportion of the proposed increase immediately under the safeguard rules. He himself was originally opposed to the retention of any safeguard provisions when the Price Commission began to operate in its new form last year. He maintained that since the overriding aim was now to improve competitive efficiency and powers to control prices in detail were circumscribed, no formal system of safeguards was needed.

**Profitability** If unpopularity is not to become outright hostility—which would greatly reduce the scope for the Commission to produce a useful long-term effect on industrial efficiency—some safeguard is needed to provide the assurance that its intervention will not allow profit margins to be pushed below a minimum level. The way in which the Labour Government earlier allowed profit margins to be compressed will not quickly be forgotten, and margins in general are still so far below previous levels that the present buoyancy of investment intentions must be regarded as slightly odd and fragile. The abolition of the safeguard clauses might well be interpreted to mean that Labour had once again forgotten the connection between profitability and investment. Mr. Hattersley should take a longer view of his responsibilities.

## Two formulae

The representatives of industry took the opposite view, and Mr. Hattersley was finally persuaded to draw up a pair of complicated safeguard formulae, limiting the amount by which price increases could be reduced during and after investigation by the Price Commission. The CBI regarded the safeguards as inadequate and would certainly oppose their abolition strongly, even though they seem to have worked to the advantage of companies under investigation so far and although the Price Commission has so far turned out to be

U.S. RELATIONS with Saudi Arabia are fast approaching a critical point and one which may have great significance for a world which has come to take extremely close U.S.-Saudi ties for granted. How serious any rift would be between the leading western power and the West's most powerful and closest Arab friend scarcely needs pointing out.

The immediate test case is the Saudi request for new American aircraft, a request first made many months ago. The Carter Administration is due to respond within a few days and the Saudis have made it crystal clear that they see the reply as the litmus test of their friendship with the U.S. Much more may thus be at stake than 60 new F-15s.

America's alliance with Saudi Arabia has become one of the most remarkable "special relationships" in modern history. The Saudis first forged a close friendship with the Americans more than 30 years ago. Since the oil price rise in 1973, which underlined Saudi hegemony over world oil supplies and prices, the alliance has come to be of vital importance.

In addition to the full range of military and other Saudi contracts the U.S. and Saudi Arabia have set up a joint economic commission with offices both in Washington and Riyadh. At present this commission is monitoring some \$650m. of contracts in such fields as data processing, desalination, solar energy and vocational training.

Beyond government-to-government relations, of course, there is also the powerful role still played inside Saudi Arabia by Aramco, the consortium of four U.S. oil companies which developed the giant Saudi oil fields and still operates them on behalf of the Saudi Government.

As the Saudis have gained in confidence, however, the relationship has begun to change. It emerged in a series of interviews recently that many senior officials inside the Carter Administration are now seriously worried that Saudi friendship can no longer be taken for granted.

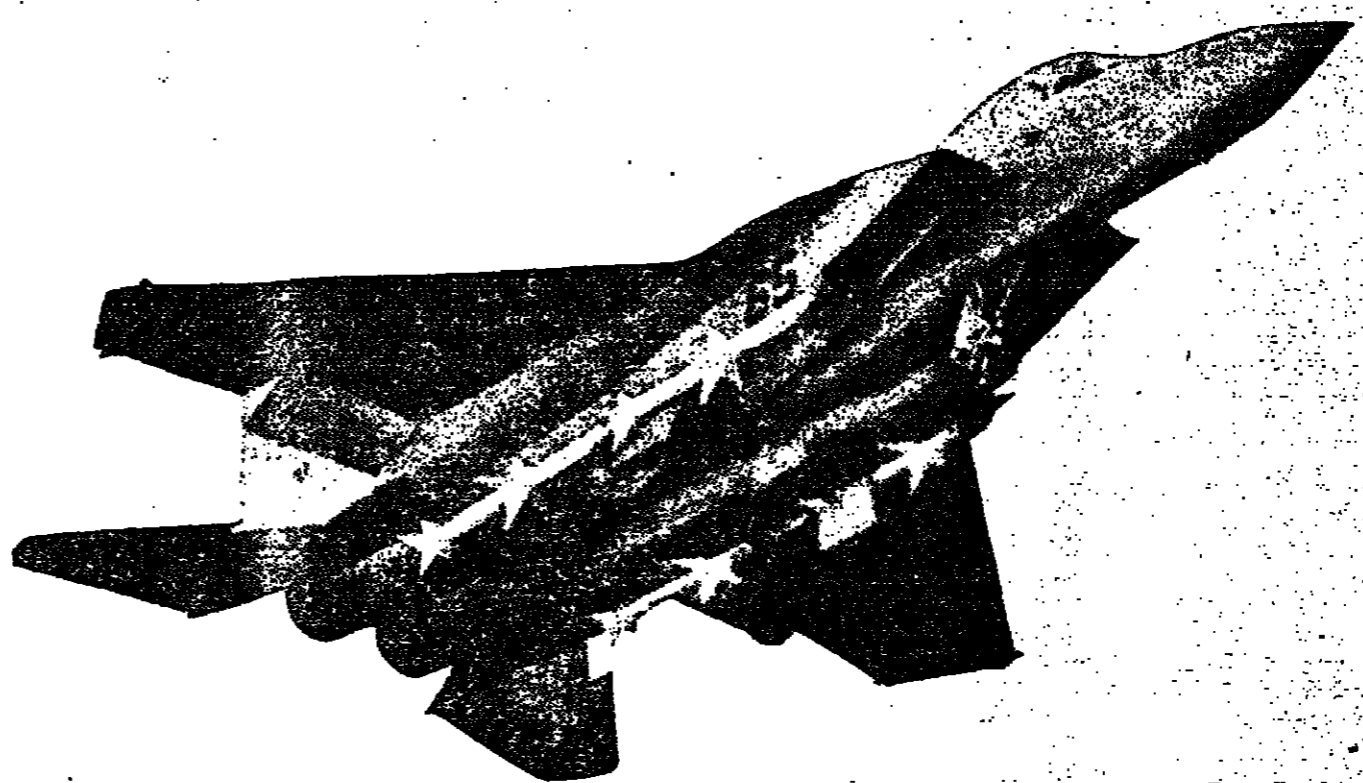
The strains are not yet evident on the surface. Saudi Arabia, which has more than 25 per cent of the world's proved oil reserves within its kingdom, continues to supply the U.S. with 25 per cent of its imported oil. It keeps about half its estimated \$60bn. of assets in the U.S. and holds some \$5 per cent of its total reserves in dollars. Saudi Arabia remains the driving force for price restraint in the Organisation of Petroleum Exporting Countries (OPEC).

Below the surface, however, the Saudis are now much irritated by the failure of the U.S.—and in particular Congress—to recognise the role that they have been playing. According to many U.S. officials there is a growing, but not yet very large, group of influential Saudis who fear that the U.S. is

even a relatively modest move-

## Saudi-Arabia and the U.S.: the dangers of a rift

By DAVID BELL in Washington



The F-15—Saudi Arabia wants to buy 60 of them from the U.S. A refusal to sell could create serious problems for U.S.-Saudi relations.

a "crippled giant" no longer able, or willing, to act in its own interests or carry out its promises.

The Saudis have not missed an opportunity—most recently during President Carter's post-Christmas visit to Riyadh—to underline the fact that they believe they have kept their side of a mutual bargain. Partly at America's urging Saudi Arabia has come to play a key role in the Middle East. Saudi money has propped up the Egyptian economy and President Sadat with it and a measure of moderation to the Palestine Liberation Organisation. Discreet Saudi support for the Sadat peace initiative has also partly stayed the hand of opponents like President Assad of Syria. The result of it all has been to give the Saudis new confidence in regional affairs.

Further afield, Saudi money financed the Moroccan troops that rescued President Mobutu after the mysterious invasion of the Congo in 1976. In the closing months of the Thieu regime in Vietnam the Saudis arranged to supply Saigon with cut-price oil.

More recently there has been the U.S. failure to support Somalia against Ethiopia (of which more below) and deliberate restraint as regards the oil price which U.S. officials say was in great part a result of Saudi apprehension about Euro-Communism in France and Italy. Loth to exacerbate economic problems in either country at such a politically sensitive time the Saudis were once again playing an American tune.

There is also concern that, although the Saudis have no practical alternative to the dollar even a relatively modest move-

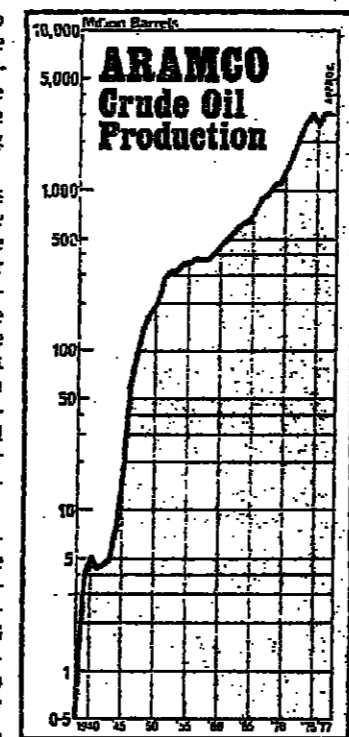
ment out of the dollar—to spread the risk—could cause serious instability in world currency markets. There are already indications that some Saudis are at least considering diversifying.

For many months the Saudis have played a leading role inside OPEC in moderating pressure from more militant members for continuing swingeing price increases. In this role they have been assiduously backed by the U.S. which has spared no effort to keep price rises down to a minimum. Because of their pre-eminent position in world oil supplies the Saudis have so far been able to silence any opposition to their position.

Financially also, the conservative Saudis have done very little to embarrass the U.S. Somewhat grudgingly they have supported the International Monetary Fund with a supplementary financing facility to help countries in temporary payments difficulties. They have, according to the latest confidential estimates, lengthened the average maturity of their American investments to about five years.

This reduces a threat of instability on the financial markets even if it by no means removes it. As much as \$30bn. of Saudi money is said to be in U.S. Government bonds and securities although these figures have not been published. Private Saudi interests have invested many millions of dollars in property and on Wall Street and so great are Saudi purchases from the U.S. that the overall balance of trade is currently in America's favour in spite of oil imports.

The root of Saudi concern is that the U.S. according to many officials in the Carter adminis-



tration, has shown no real sign of responding in kind to the Saudi effort. Specifically the Saudis have been expecting the U.S. to take much more effective action to prevent further Communist encroachment, to support the dollar, and to force the Israelis to make significant concessions in the Middle East.

Traditionally, to take the first of these, the U.S. has appealed to the Saudis because it was anti-Communist. Yet the Saudis have been dismayed to see that in the Horn of Africa, which they regard as almost in their own back yard, the U.S. has been unwilling to provide much more than rhetorical support for the Somali Government. For its part Saudi Arabia has spent about \$200m. to

persuade Somalia to break with the Soviet Union. "They just think we are no longer hard-nosed enough," one American official said.

The Saudis feel that the Carter Administration moved too late to affirm its support for the U.S. dollar. Even though the Saudis acknowledged that they would do anything as dramatic as renounce its alliance with the U.S., rather, officials fear, the friendship might gradually be wound down. Saudi support for price moderation inside OPEC might begin, by degrees, to be less pronounced. Equally, Saudi armed forces would switch to European-made weapons and thus the Kingdom's tiny but important army and air force could become estranged from the U.S.

Most important, the Saudis increasingly might decide that in the absence of tangible American commitment there is no longer any reason for Saudi Arabia to continue to increase its oil output which is already far in excess of what it needs to sustain itself and fund its many projects around the world.

It is recognised in both the State and Defence Departments that there are already powerful Saudis who think that this is what the Kingdom should be doing in its own long-term interests. This group is believed to have been gaining strength recently, and Washington does not want in any way to strengthen its hand.

Congress has yet to cast the problem in these terms and the Administration pleads to get it to do so have fallen on deaf ears. In view of this, officials concede that there is no particular reason to be optimistic about U.S.-Saudi relations in the months ahead, even if the Kingdom does finally get its F-15s.

## MEN AND MATTERS

## Lead balloon drops on LME

I have to report that relations between Lloyds Bank and the London Metal Exchange are not all they might be. The reason is a competition the bank has set for sixth-formers with the enticing title "Invitation to California 1978." The ten top prizes are a two-week holiday in California: there are 11,000 copies of a £3 in a Lloyds deposit account. As Michael Bulpitt, one of the bank's advertising executives, explained yesterday: "You could call it a promotional activity."

The Metal Exchange finds itself, willingly, caught up in the activity, because of the competition's economic question—about lead. An LME official, Ronald Edwards, has been on the receiving end of dozens of calls from eager pupils all over England and Wales; letters mount on his desk. Appeals for aid have also been coming in to the FT commodities editor, John Edwards (no relation).

To convey the full horror, here is the question: "How much would it have cost to assemble 3,000 metric tons of lead by July 31, 1977, bought at a rate of 50 tons per month on the last day of each month, at that month's official London price, using funds borrowed at 10 per cent per annum compounded monthly?"

Even at the LME, they do not have the average monthly price of lead for the past five years at their fingertips. If they do work it out, Edwards complains that they just cannot send it to the horde of California-hungry sixth-formers. He has found out that last year a similar competition set by Lloyds drew 11,000 entries. "Think of the postage," he said to me yesterday.

Back at the bank they seem some waters around Latin

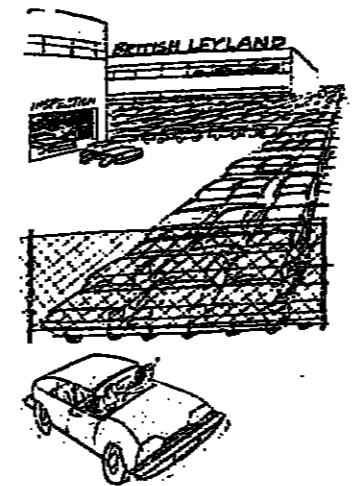
## Dog days

To-day is the day for dog lovers—not to mention the manufacturers of petfoods: the Crufts Show opens at Olympia. In the latest issue of the British Nutrition Foundation's bulletin, animal feeding consultant Alan Walker reports that this country's petfood sales have reached £250m. a year. He also says that "over-nutrition" is now the main nutritional problem in both human beings and pets" (referring, of course, to the affluent nations).

I asked Walker yesterday whether our pets were not consuming food that should be going to Third World countries. He dismissed the idea. "I've worked it out," he said, "that all the food eaten by pets in Britain in a year would only feed the population of the Indian sub-continent for five days." As a member of the Kennel Club and an advisor to Spillers—which has a meaty chunk of the petfood market—Walker clearly feels that this statistic absolves man's best friend from criticism.

I asked about reports that

Back at the bank they seem some waters around Latin



Now there's a unique sight—a British car park without a single foreign car in it!

America had been almost depopulated of fish to supply the U.S. pet market with protein. Walker was vague about that, but said U.S. sales were equal to £1.5bn. a year. "It may be valid to suggest that the nutritional status of a country's human population is reflected in that of its domestic pets," said Walker. He believes that our 4.8m. dogs are "living longer and healthier lives," but says there is little evidence to support rumours that more and more Britons are trying to look like a Crufts champion—or just save money—by turning to a petfood diet.

## Lonely crusader

Basil Wishart, white-haired editor-owner of Britain's most northerly newspaper, the Shetland Times, has been nominated what amounts to Scottish "Journalist of the Year" with the Arts Council's presentation

Award. His paper—lively, informative and never parochial—is already required reading for oilmen. Since the islands' Council's successful upset of the government's devolution plans, it is on the subscription list of Whitehall departments and political parties too.

True to his calling, Wishart is currently deep in controversy as practically the only Shetlander speaking out against the Council's scheme to take the islands out of Scotland. It makes no sense, he argues in his sharp leading articles, to cut loose from Edinburgh when education, health, law and much else look to Scottish institutions.

## Smoked out

Rolls-Royce may have been a touch too clever in its efforts to clean up the exhaust of its RB 211 jet engine. It announced yesterday that it had sold Amoco (U.K.) Exploration and Production eight of the Dash 24 version of this engine, as power stations for oil rigs. So clean is the exhaust, however, they will have to add smoke so that helicopter pilots will be able to see—and avoid—the uprush of hot air from the 30,000 hp gas turbine.

## Funny money

Do the Belgians believe that Scottish devolution has already become operational? In the shop at Antwerp Airport a notice warns purchasers of duty-free usquebaugh, aquavit and other eaux de vie, that whereas an English £1 is worth 63 Belgian francs, tenderers of Scottish pounds (or is it pounds?) will be offered only 60 francs.

Observer

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# A funny way to run a Shadow Cabinet

RE IS one very good reason Deputy Leader, Lord Carrington, Mrs. Margaret Thatcher, the Leader of the Party in opposition, the Shadow Cabinet, she would almost certainly lose. More probably, she would realise that the price of success would be too high, and she would retreat.

The number of liberals in the Shadow Cabinet obviously varies according to definition. It is also possible for someone to be liberal on one subject and illiberal on another. There is the further, emotive problem that liberals in terms of the Shadow Cabinet tend to be synonymous with Heathism. But, on any count, the liberal content is high, and what it might lack in numbers it makes up for in qualitative superiority. Mr. Francis Pym, on present form the most likely next leader, may maintain a foothold on the right, but must be counted on the liberal wing. So, without doubt, must his most obvious rival, Mr. James Prior. And so, on some issues, must Mr. John Davies and Mr. Norman St. John-Stevens.

## Unholy

A more appropriate theory would be that Mrs. Thatcher herself is hanging up on the lot of them, and indeed there is a great deal of talk about the unholy influence on the Leader of a few right-wing MPs outside the Shadow Cabinet. Mr. George Gardiner, Mr. Norman Tebbit and, most recently, Mr. Nigel Lawson are among them. Mr. Alfred Sherman of Sir Keith's Centre for Policy Studies is also marked out in this way. It is true, too, that Mrs. Thatcher has never sought to make much of a virtue out of leading a team. In her speech at the Blackpool Party Conference last year, for example, the team was never mentioned—not even to say thank you. It is quite possible that she regards herself as was once said of Mrs. Golda Meir, in another context, as the only man among them, and one cannot produce decisive evidence to prove that she is wrong.

Yet the fact remains that if Mrs. Thatcher were to seek to impose a policy of an end to immigration, or even the break-

ing of any commitments, on the Shadow Cabinet, she would almost certainly lose. More probably, she would realise that the price of success would be too high, and she would retreat.

longer experience in Government than any other member of the Shadow Cabinet; he remains a potential Foreign Secretary. Sir Ian may be younger and less well-known, but he is a useful man to have around as a reminder that the party does have a liberal intellectual wing.



Mr. Whitelaw and Mrs. Thatcher in conference.

There is also the question of replacements. Even assuming (rashly) that the resignation of those three would not be followed by defections in the junior ranks, Mrs. Thatcher does not exactly have an abundance of Right-wing talent to play with. Her greater problem indeed is the talent that she has already discarded—Mr. Peter Walker, for example, not to speak of the talent, Mr. Heath, that she discarded her. She

cannot seriously contemplate losing any more of her best people without having anyone of note to bring on in their place.

In fact, it seems quite likely that the message has been already taken. Mrs. Thatcher will not seek to impose any breaking of obligations on immigration. Mr. Whitelaw will go ahead and announce the Tory policy within the next few weeks. It will probably include a call for a new British Nationality Act and a register of those eligible to come; there may be also—though this is by no means certain—something on Rances. But it will not, if applied, reduce the rate of inflow very much; nor will it be very different from anything

But it is already noteworthy that the advice going to the Government from people who are paid to test public opinion is that her remarks may have done her more harm than good. The indicator to watch will not be the percentage who agree with her, but the constituency distributive discussion; there was ap- bation. There is not, after all, a great deal to be gained from no-one quite daring to ask her increasing the Tory majority in what she meant. As for Mr. (say) Bournemouth. But there Neave, the charitable explana- tion of his comments on Ulster- stitencies where the immigrant- vote could be decisive. The thing said by Mr. Whitelaw: immigrant turn-out is usually low, but if Labour can galvanise it in an anti-Thatcher campaign, the rewards could be considerable.

Two other factors might be taken into account. The first is that the Government has achieved the relative rarity of the nowadays of having liberal assembly meets only once a week for about an hour and a very little sign at the moment of liberal opinion being pre- pared to vote Liberal, that too hardly surprising that issues could be a bonus. The second is that when Mr. Whitelaw does announce the Tory immigration policy, Mrs. Thatcher will be inevitably exposed to charges of having promised something that she could not deliver. There are perhaps some wider lessons for Mrs. Thatcher and the Shadow Cabinet. The whole incident need never have happened if Mrs. Thatcher had been more careful, as indeed until recently she had always been. She could have said that the issue was under review, and then used Mr. Whitelaw's policy when it was completed as a trump card to show that the party was at least doing and saying something precise.

Again, the Shadow Cabinet does have a certain amount of experience. Either it is not be-

Malcolm Rutherford

## Letters to the Editor

### Farmland prices

Mr. R. Keatley  
—George Inge's theory on the price of wheat and the value of agricultural land in Brennan's article on January 31 would seem to be a bit out of kilter. The 1977-78 agricultural year was a record for the world, and the price of wheat is related to the action potential of land; pro- duction is directly propor- tional to economic rent. Eco- nomic rent is directly propor- tional to the value of vacant land.

Observations are deter- mined in a world market, are affected by the weather and the supply of wheat produc- tion is inelastic. Geo- grapher's Theory assumed that agricultural land grew corn only, had no alternative uses. If it is known that land value is determined by non-agricul- tural factors, Professor Demman Cambridge University has shown the fallacy of attrib- uting land value entirely to the ability of farming rather than to a multiplicity of alterna- tive demands within the eco- nomy. Frequently it is not conscious land managers who are the purchasers of agricul- tural land, and the early years from Northfield bear out, but rather the tradi- tional farmers themselves. The farmer is often the man who up his neighbour to order spread the overheads, or to a good profit, only because it is there; no- thing more. It is a long-term view of productivity is here. It is longer can one directly see rises and falls in rent functioning land values in theory, there can be connection between wheat farmland prices. In prac- tice, purchase and sale of farm- land are largely long-term deci- sions, and the high level of commitment involved in that of "handover" is to come rushing out of the country, the country emerges Mark Lane.

Mr. H. Montgomery  
—Your article on airports for South-East England (February 2) forgets the experi- ence of North America in the 1960s, when the various York airports became increas- ingly congested and travel- ers quickly found out that re- newments of their business- schedule enabled them to fly to other parts of the U.S. flying New York entirely. Similarly, it is not possible to have a large number of airports, and the increasing frustra- tions of our traffic control delays, considerable congestion on the road at the airports, and the same sort of effect as happened in America. This could well mean that the air passengers coming to us from England will seek a more use of particular, it seems national competitors. British in Birmingham should take the

major step that it has already planned, and build the new airport terminal immediately adjacent to the National Exhibi- tion Centre and Birmingham International railway station. European airlines in particular would be delighted to have the opportunity of making more direct flights from European business centres direct to Birmingham, if British Airways could be encouraged to support their applications. The European airlines by-passing London airports and flying direct to Birmingham will certainly in- crease the amount of business visitors to Britain's national exhibition centre, and the National Exhibition Centre. Direct flights create an attitude of mind that brings significant benefits with a ripple effect. European businessmen would quickly adapt to the idea of flying direct to Birmingham and making day visits to London instead of the reverse way around which happens largely at the moment.

If the Government was to give the immediate go-ahead for the construction of the new pas- senger terminal at the Bir- mingham Airport, a great many benefits would flow to all those British firms who exhibit there. At the same time the present suffering inhabitants would obtain some relief from the congestion around Heathrow, Gatwick, Luton, and Stansted. H. B. G. Montgomery, Exhibition Consultants, 11, Manchester Square, W.1.

### Capital gains tax

From Mr. M. Nathan.  
—Sir, it would seem from Press reports that any reform of capital gains tax will be confined to improvements in cutting down administrative costs. If so, there is one obvious area where this could be applied. At present the small gains concession is only applicable to individuals and not to trusts. There is no reason why it should not be extended to the latter, subject to suitable safeguards to prevent persons taking unfair advantage of the concession by creating trusts for themselves or their spouses.

### Promoting industry

From Mr. H. Parker.  
—Sir, Michael Thompson-Noel's piece (February 2) on the recent survey of industrial promotion makes interesting reading, and does the report itself. As is often the case, however, a fairly inconclusive document has a few "gem" hidden away which are revealed only if one digs deep enough. Significant, I feel, are some of the statistics which can be derived from the published facts. Large British companies invest an average of less than £250 to promote the sale of each employee's produc- tion; while in smaller com- panies, the average figure is rather less than £150 per em- ployee. Similarly, while large companies devote only around 40 per cent of their budgets to advertising with a heavy sector investment in international exhi- bitions and other activities, smaller companies invest more than half of their smaller spend in the media, and are much less active in other promotional activities. Compared with its inter- national competitors, British industry in general invests at Western Europe and in North

an unsatisfactorily low level to promote the products of its work- force. Smaller companies, in par- ticular, tend to expect too much from their very limited invest- ment in media advertising, which will not in any case necessarily be the most cost-effective way of spending their money.

The opportunity remains for British industry—small and large—to make better use of the many promotional aids and techniques available to it. All the signs are that they are prepared to act together. Mr. Whitelaw is still the Deputy Leader of the party, and he maintains an appeal in the North of England that few Tories could even dream of. Lord Carrington has

### Register of engineers

From Mr. T. Lambie.  
—Sir, The question of a statu- tory register has, of course, been discussed by chartered engineers for many years. With little knowledge of the present or future intentions of the Institution of Electrical Engineers or the Council of Engineering In- stitutions, perhaps the persons in charge of a chartered engineer might be of interest.

There should be a single independent register aggregating all the separate registers of the various CEI institutions. The names of those who belong to more than one institution would appear only once. The register would be similar to the medical directory in giving particulars of important attainments.

Keeping such a register up-to-date would be a colossal task, but one which the institutions might well be glad to unload. The availability of such a register in public libraries, over- seas Embassies and High Com- missions would be of great benefit to employers and self-employed engineers and technicians. This availability and the additional knowledge that the register is statutory, should also give comfort and confidence to customers, clients and users of end products.

It has, within fairly recent years, been established by CEI that it is part of the codes of conduct of all chartered engineers that they should, within their competence, safeguard the public interest in matters of safety, health and broadly, welfare. This duty should become statutory. Char- tered engineers' advice or actions in their protective work should not, therefore be overruled by or by other grades of em- ployees or by a trade union. Should they be employers or employees per- sist in their overruling in matters of safety or health, the registrar would normally refer to the competent inspectorate. In other cases, involving resigna- tion, the chartered engineer would be entitled to heavy com- pensation, amounting to a sub- stantial deterrent to the offender. The registrar should have a statutory duty to agree with government those grades of em- ployees in the public sector whose warranting chartered engineer- ing status by reason of their pro- fessional responsibilities. Private sector insurance authorities covering safety and health would, no doubt, maintain parallel standards of grading. The registrar would periodically pre- sent to government for agree- ment, an assessment of public sector graded salary rates com- parable, skill for skill, with those ruling in the private sector, in Western Europe and in North

America. Otherwise more en- gineers would be liable to vote with their feet, to the serious detriment of management.

It might become the statutory duty of the profession to make proposals to the government to improve safety, where the death rate shows that the public are manifestly at risk, such as on the roads and sidewalks, as motorists, cyclists or pedestrians. T. T. Lambie, 143a, Adonis Gardens, Thirley Road, S.W.1.

### Imports of textiles

From the Hong Kong Commission.

Sir,—The letter (January 27) from the chairman, the Textile Industry Support Campaign gives further currency to the myth that the decline in employment in the U.K. textile industry has been caused primarily by import- ing imports from Hong Kong.

The Overseas Development Institute's research indicates that the loss of jobs in the U.K. textile industry has been caused by improvements in produc- tivity, shifts in demand and state-trading countries. The effect of imports from develop- ing countries has been much less significant.

Mr. Bridge says that the U.K. has lost 300,000 textile jobs. Hong Kong with less than one tenth of the population of the U.K. has in one year, 1977, lost 38,000 textile jobs.

Denis Bray, Hong Kong Government Office, 6, Grafton Street, W.1.

### Arbitrary sanctions

From Mr. J. English.  
—Sir,—Am I to take it that if all the major oil companies agree to pay their tanker-drivers more than 10 per cent, the Government will refuse to buy petrol or oil from them? Or to let local authorities buy from them?

This would successfully cripple the police, the fire-brigades, the London Transport, most of the power-stations, and delight upon delight all of those lovely motor- cars, in all those Ministerial car-pools.

Or will the oil companies get the closed-eye treatment afforded to Ford Motor, as being too big to bully, particularly if the Ministerial car-pools are at risk? Jeffery English, Willis Parsons English and Co, Sun Alliance House, Dean Park Crescent, Bournemouth.

bargaining goes back 60 years. During the past quarter century we have developed with the National Union of Textile Workers a joint approach to the problems of our industry. Over ten years ago productivity bargaining was burgeoning in the chemical industry, not simply as a method of meeting pay code require- ments but as a means of tackling the real problems of produc- tivity and manning which had developed over years of rapid growth, and which had to be faced up to if we were to remain internationally competitive.

In many companies in our industry the productivity com- mittees of the 1960s grew into the consultative committees of the 1970s, broadening their scope beyond the "basic shop floor issues" to encompass matters covering wide aspects of com- pany operations.

Some of our people are not covered by union agreements and it is essential that we ensure that they have equality of opportunity to participate. For them, too, there are consultative com- mittees, very often with unionists and non-unionists sitting side by side. The earliest "works council" in a member chemical company was set up in 1907; another goes back nearly 50 years. For us consulting together is no new thing.

It is worth noting that in March, 1975—nine months before the Bullock Committee was established—we published a code of practice on communication and consultation which was based on the best practice in the chemical industry. This provided guidance and suggestions for manage- ment and staff in developing and extending procedures for the involvement of employees at all levels, both directly and by representation on consultative committees.

If we are to keep this matter in perspective, we must remember that the Bullock report was an irrelevant mutant in an already well established evolutionary process and not the stimulant to a new approach conceived or implemented in defensive panic.

In our view, there is no simple legalistic formula to guarantee participation by an entry in the Statute Book. There is no statu- tory short cut and to believe that there is one does nothing but harm to the constructive efforts being made in many com- panies. The way ahead can only be found by all the people in the workplace evolving together and voluntarily that relationship which best meets their particular needs, built on mutual trust and mutual respect.

Martin E. Trowbridge, Chemical Industries Association, Alcmic House, 93, Albert Embankment, S.E.1.

### Dangerous house

From Mr. M. Sutcliffe.  
—Sir,—On February 4, the property article treated us to the most favoured house design, built on a hilly site. No wall, no railings on that dangerous flight of steps from the front door, with a sheer cliff-face on one side. Parents, children, the poor postman on a slippery morning, all with broken arms or with heads split open—1 wince at that lethal "up and over" door just below. The sheer madness of such a death trap, in this most favoured house, merits an extra insurance premium slapped on it—I shall carefully keep a hundred miles from the "originality" of its design. M. Sutcliffe, Forest Lodge, Bells Yew Green, Frim, Sussex.

## To-day's Events

Government officials from Britain and the U.S. expected to begin talks in London on North Atlantic air fares.  
Trades Union Congress Youth Conference, Congress House, London.  
Mrs. Shirley Williams, Secretary for Education, attends Carlisle Constituency Labour Party annual dinner, Central Hotel, Carlisle, 7.30 p.m.  
Mr. Merlyn Reus, Home Secretary, at dinner of Society of Labour Lawyers, County Hall, SE1, 7.15 p.m.  
Mr. William Whitelaw, Deputy Leader of the Opposition at Press seminar, Midland Hotel, Manchester.  
Hong Kong buying mission continues talks in U.K.  
Sir Peter Vaneck, Lord Mayor of London, attends luncheon with the Court of Assistants of the Mercers' Company, Mercers' Hall, Ironmonger Lane, EC2, 1 p.m.  
Cruft's Dog Show opens, Olympia.  
Historical Society meeting at St. Margaret's, Paternoster Church, Eastcheap, EC3, 1.10 p.m. Talk by Mr. Stephen Schlick on "The Bank of England".  
Last day of Microsystems '78 Exhibition and Conference, West Centre Hotel, SW6.  
PARLIAMENTARY BUSINESS  
House of Commons: Private Members' Bills.

OFFICIAL STATISTICS  
Building Societies' receipts and loans (January).  
COMPANY MEETINGS  
Crystalgate, Great Eastern Hotel, EC, 11.30. Arthur Lee, Sheffield, 12.30.  
MUSIC  
Verdi's Requiem Mass: Bach Choir and Philharmonic Orchestra, conductor Sir David Willcocks, Royal Festival Hall, SE1, 8 p.m.  
OPERA  
English National Opera: Rigo- letto Coliseum, W/C2, 7.30 p.m.  
D'Oyly Carte Opera: Gilbert and Sullivan "The Gondoliers", Sadler's Wells Theatre, Rosebery Avenue, EC1, 7.30 p.m.

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The National Securities Co., Ltd. The Toko Securities Co., Ltd.

Towa Securities Co., Ltd.

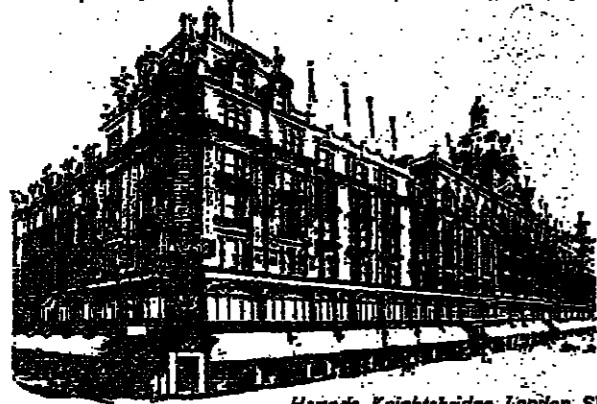


# "The 1977 profits and turnover do not yet reflect our considerable expansion this year in the United Kingdom"

R. W. Rowland, Chief Executive

## Highlights for the year to 30th September 1977

Total turnover increased by 16% to £1,257 million and profit before interest and tax was £105 million, compared with £99 million in 1976. The profit attributable to shareholders before extraordinary items increased by 21% to £48 million. A final dividend of 4.2212p net per share makes a total of 5512p net for the year. The employees of the group and Associates in the United Kingdom now total 55,000.



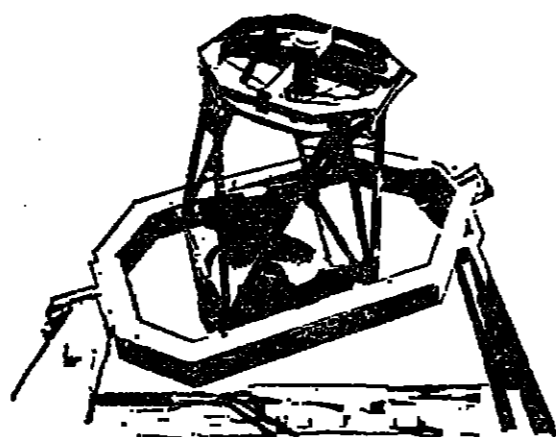
Harrods, Knightsbridge, London, SW1.

The net asset value of the company's UK interests is now over £100 million. In addition, £41m has been spent on a strategic holding in the House of Fraser — an exceptionally fine group of specialist shops and department stores, including Harrods, J. & J. Evans, and John Barker and Sons.

Lonrho also acquired another important shareholding during the year, when the company bought 29.24% of the share capital of Scottish and Universal Investments (SUITS), whose businesses range from whisky to newspapers and publishing, reduced very good half-yearly results in September 1977, with an increase of over 27% in profit before tax compared with the same period last year. SUITS holds a further 10.29% interest in the House of Fraser.



Whyte & Mackay Whisky



The Mauna Kea Telescope exported to Hawaii by Dunford & Elliott

As an addition to the company's engineering sector, we acquired Dunford & Elliott. This Sheffield group makes high quality carbon and alloy steels, mainly for the automotive industry. They also make forged steel rolls, extrusion press parts, armour plate and electronic research equipment.

The Engineering Group now comprises sixteen operational companies and twenty-five manufacturing sites in the United Kingdom, with an annual turnover of £140m.



Volkswagen Golf

Our exclusive Volkswagen and Audi franchise in the UK had a successful year with sales of 54,000 units. We will benefit from better supplies in 1978, and from the completion of our new £7.7m computerised central parts depot at Milton Keynes.

Our international confirming house, Balfour Williamson, achieved a record year.



Picking tea in Africa

Lonrho has tea estates in Malawi and East Africa, where total production exceeded 4.5 million kilograms. Most of the tea the company grows is sold on the London market, and subsequently blended for tea bags.

Beef ranching is undertaken over approximately 1.5m. acres, with a total herd of 100,000 head of cattle. The year was fair with average calving rate, and 20,000 head were sold, to bring results very similar to last year's.

Ashe & Nephew shops, which sell wines, spirits and beers in the north of England, made a significant contribution to United Kingdom profits, whilst increasing turnover to over £21m through 221 outlets.

For many years Lonrho was listed as a mining house. Although our mining operations have not physically reduced in size, the profit contribution has been overshadowed by the extension of our other activities. This year mining and extraction provided us with £10.96m. The improvement was particularly due to increased revenue from coal, anthracite and asbestos operations. The company produced 14,000 kilograms of gold, 5,500 kilograms of silver and 3,850 kilograms of platinum group metals.



The London Metropole Hotel

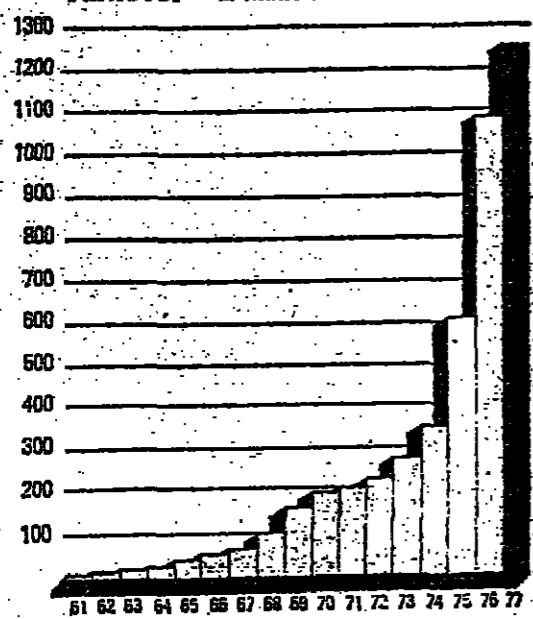
During the year we bought all the share capital of A.V.P. Industries, a flourishing group which includes the important Metropole Hotel Group, consisting of five hotels in London, Brighton and Birmingham. The Birmingham hotel facilities include the largest modern hotel conference centre in Great Britain.

Brentford Nylons' main factory at Cramlington was one of the United Kingdom businesses which was streamlined this year. An improved range of household textiles is now being manufactured. We have reinforced our technical management at Cramlington with a re-training programme.

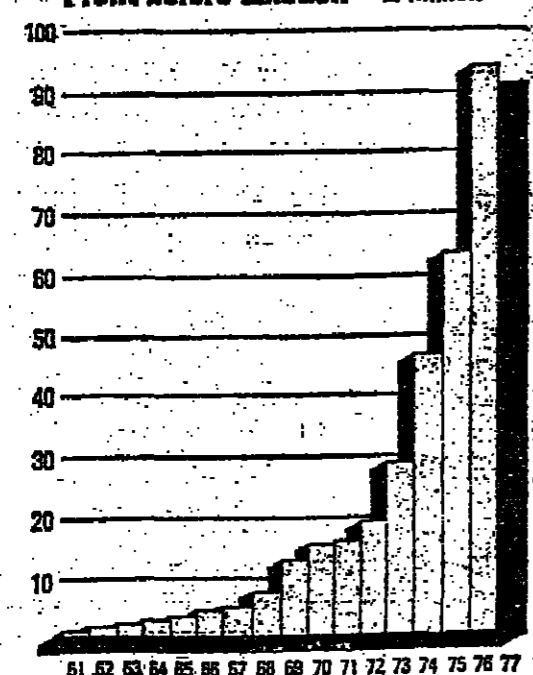
The sixty-ninth Annual General Meeting of Lonrho Limited will be held at the Great Room, Grosvenor House, Park Lane, London, W.1. on Tuesday 7th March 1978, at 12 noon.

Copies of the full Report and Accounts are available from the Secretary, Lonrho Limited, 138 Cheapside, London, EC2V 6BL.

Turnover £ million

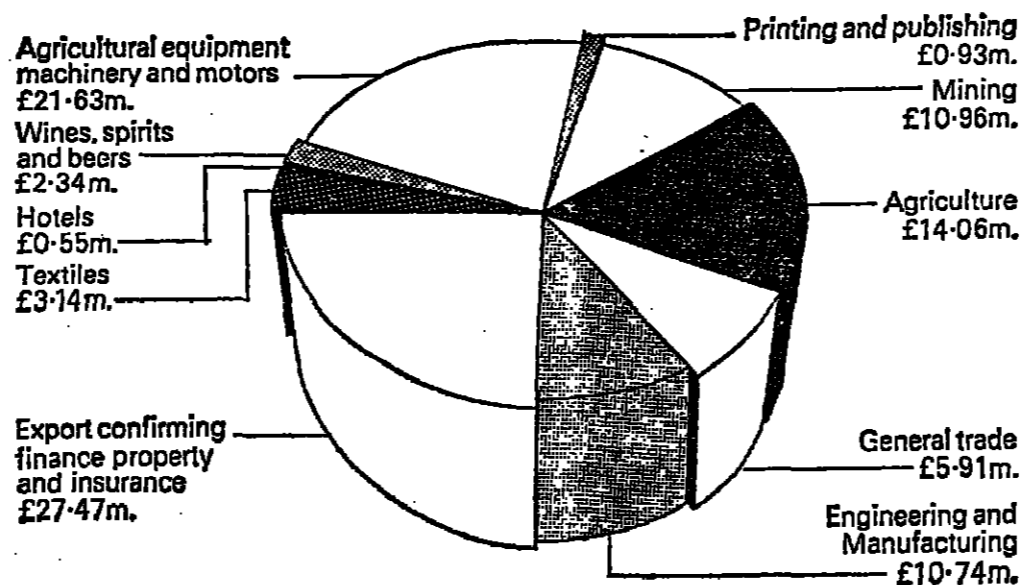


Profit before taxation £ million



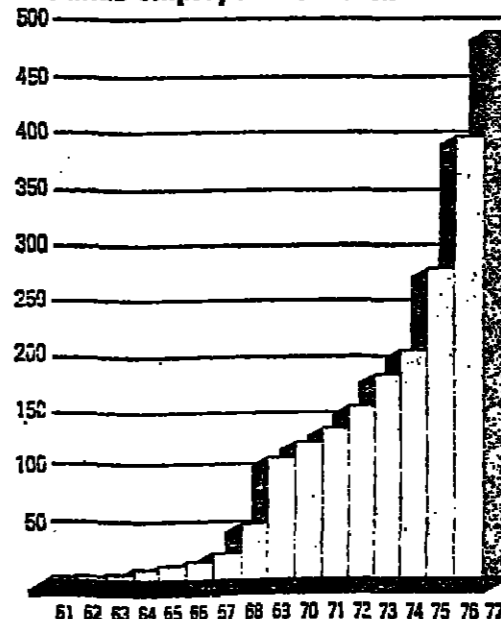
## Analysis of Profit before tax and central finance charges

year ended 30 September, 1977

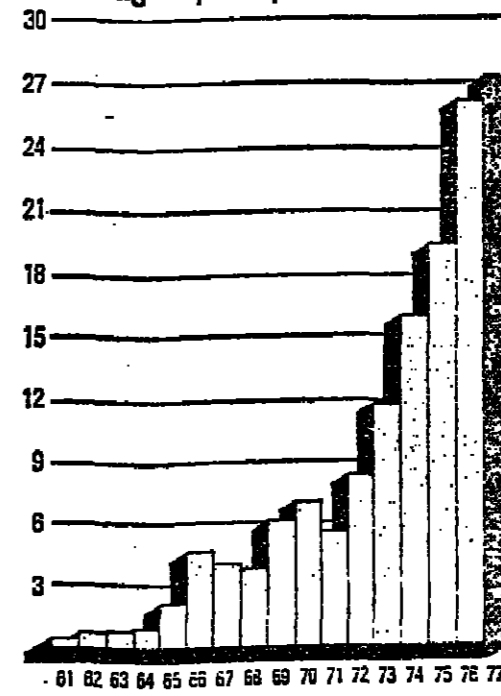


Total £97.73m.

Funds employed £ million



Earnings pence per share



# LONRHO

Lonrho Limited, 138 Cheapside, London EC2V 6BL

# Expansion in U.K. . . . Nyaschere deal

## The Winterbottom Trust Ltd.

Summary of Results for year to 30th November	1977	1976
Total Net Assets at Market Value	£14,219,354	£13,280,000
Ordinary Shares:		
Asset Value	250.4p	216.0p
Earnings	4.71p	3.75p
Dividend	4.60p	3.75p
Geographical Distribution of Investments		
Equities: United Kingdom	41.0	25.3
United States	37.1	38.3
Japan	1.5	7.9
Europe	1.0	1.5
Australia	2.2	3.6
Other Countries	3.9	4.7
Total Equities	86.7	84.8
Fixed Interest Stocks	12.7	9.5
Deposits less Current liabilities	0.6	5.7

### Summary of Statement by the Chairman, Mr. S. A. Field.

Earnings per share have risen by 26% and the Board recommend an increase in total dividend from 3.75p to 4.60p.

The substantial increases in equity and fixed interest prices in the U.K. were to a considerable extent offset by a fall in the U.S. market increased by adverse currency movements. The asset value rose by 16%.

The changes in the distribution of the portfolio were caused primarily by market movements but we reduced the proportion in Japan from 8% to 1% due to the high values currently placed on Japanese shares.

There has been a considerable improvement in some aspects of the U.K.

economy during the past year. Inflation has been reduced, the balance of payments and the Pound have improved and real disposable incomes are expected to rise this year. However, industrial production is still static and unemployment remains high. The current outlook for profits is extremely uncertain.

The U.S. market has been very disappointing. The economy has made good progress but the weakness of the Dollar has undermined confidence. Many U.S. stocks appear attractively valued and we retain a substantial proportion of funds there.

Two large investment trust companies have recently been taken over at a discount to full asset value by nationalised industry pension funds. The simplicity of buying ready-made portfolios should justify a premium price over asset value rather than a discount.

Copies of the Annual Report may be obtained from

**Baillie, Gifford & Co.**

3 Glenfinlas Street, Edinburgh, EH3 6YJ

## AARONSON BROS. LIMITED

The Official Auditors of the Company since its incorporation in 1954.

### STATEMENT OF TRADING RESULTS

Year ended 30th September, 1977 (Subject to Final Audit)

	1977	1976
Group Sales	£'000	£'000
Trading Profits	27,612	21,570
Shares of Profits of Associated Company	2,795	2,338
Profit before Taxation	44	21
Taxation	2,839	2,359
Profit after Taxation	(99)	(50)
Interests in Minority Shareholders	2,938	2,439
Profit for the Year attributable to the Group	369	218
Dividends Paid and Proposed—		
Preference Capital	130	130
Ordinary Capital	383	343
	513	473
Earnings per Ordinary 10p Share—Fully Diluted	12.0p	10.4p

The Directors are pleased to announce another satisfactory increase in your Group's profits for the year ending 30th September 1977. The Group Profits before taxation were £2,839,000 (1976: £2,359,000) which represents an increase of approximately 20% over the previous year.

These results were achieved in spite of the extremely difficult trading conditions experienced during the latter part of the year. Turnover increased to £27,612,000 (1976: £21,570,000). This increase was mainly due to greater output achieved by your Group's factories and as a direct result of the major capital expenditure programme undertaken by your Group over the last few years. Exports were also higher at £6,286,000 (1976: £4,394,000), an increase of approximately 37%.

The Directors propose recommend-

ing the maximum permitted payment for the final dividend of 136158p per Ordinary Share making, with the interim dividend already paid, a total of 197158p per Ordinary Share (1976: 176519p per share) absorbing £382,933 (1976: £342,847).

Subject to confirmation of the dividend at the Annual General Meeting to be held on Thursday, 30th March 1978, dividend warrants will be posted 3rd April 1978, for payment on 4th April 1978, to all shareholders on the register at the close of business on 1st March 1978.

Although trading conditions at the beginning of the current financial year were still difficult, we are pleased to report that they have subsequently improved, and subject to current trading conditions continuing, your Board are confident of a satisfactory outcome for the current year.

## MARLEY

- In the last 25 years, earnings per share have grown by 19½ p.a. compound.
- Our employed capital is still rapidly expanding and capacity to absorb extra business is high.
- Our technical involvement with plastics, inside and outside the building industry, will benefit us for many years to come.
- Our properties over the world, now 55% of all fixed assets, are readily realisable and considerably strengthen our asset backing.
- Cover for our ordinary dividend is more than adequate, allowing scope for higher distributions.

The Annual Report, Marley News and Employees Report are available from The Secretary, Marley Limited, Riverhead, Sevenoaks, Kent.

CONSIDERABLE expansion was made by Lonrho in the U.K. during 1976-77. By year end the net asset value of interests in the region totalled more than £100m, and the contribution to group profit at the pre-tax level advanced by £6.91m to £21.25m.

In addition £41m was spent on a "strategic" holding of 19.38 per cent. in the House of Fraser. Also 29.24 per cent. of Scottish and Universal Investments, which holds a further 10.29 per cent. interest in House of Fraser, was among the important acquisitions during the year. Mr. Tony Rowland, the chief executive, states in his annual review.

In the light of independent legal and other expert advice the directors have decided that the most satisfactory solution to the capital position over the share of Nyaschere Copper (Private) is for the group to acquire the 50 per cent. interest. It does not already own, he says.

Revised results for the year to September 30, 1977, show taxable profit lower at £80.19m (£83.37m) on total group sales of £1,266m (£1,066m). This represents an improvement on the figures reported on December 21.

The net total dividend is effectively raised to 6.5512p (4.963p for scrip issue).

In order to ensure that the future issue, should the occasion arise, the directors are proposing to increase the Ordinary Capital from £50m to £55.3m, by the creation of an additional 30m ordinary shares. However, they have no

present intention of issuing any of these shares or the £1m still held in reserve, Mr. Rowland points out.

At January 4, 1978, Gulf Fisheries held 40.47m Ordinary shares.

Net liquid funds at September 30, were down £23.38m (£10.23m) and bank loans, overdrafts and bill advances were up from £127.54m to £149.93m.

Capital commitments amounted to £50.93m (£30.0m) and a further £12.74m (£10.22m) had been authorised but not contracted.

An analysis of turnover and profit by activity shows, with fms. omitted: agricultural equipment, machinery and motors £42.57 (£36.73) and £21.63 (£26.38); export contracting, finance, parts and insurance £39.47 (£186.47) and £27.47 (£13.33); general trade £20.42 (£20.32) and £3.91 (£12.61); engineering and manufacturing £13.76 (£9.48) and £10.74 (£10.84); textiles £8.04 (£2.38) and £2.25 (£1.57); printing and publishing £14.82 (£10.81) and £0.95 (£1.01); and hotel £5.03 (£2.61) and £0.35 (£0.37); less central finance charges of £7.34 (£4.01).

Sales and profit broken down according to region shows: U.K. £507.12 (£342.42) and £21.25 (£14.34); West Africa £514.15 (£181.37) and £20.44 (£10.55); East and Central Africa £200.53 (£217.04) and £30.62 (£25.59);

Southern Africa £118.09 (£113.66) and £13.13 (£10.04); and Europe and other regions £97.36 (£91.93) and £2.73 (£4.60).

The engineering division, which now comprises 16 operation companies and 25 manufacturing sites in the U.K., sold a 19 per cent. stake in Newman Industries at a profit during the year.

The exclusive U.K. Volkswagen and Audi franchise had a successful year with sales of 54,000 units and will benefit from better supplies in 1978 and from the completion of a £7.7m computerised central parts depot at Milton Keynes.

The group's agriculture division has been invited to manage a large new sugar partnership in Malawi in which the national government has an important stake.

The group has also undertaken to manage the Save Sugar Project being developed in Benin and owned by the governments of Benin and Nigeria with Lonrho holding 5 per cent. of the equity.

The improved contribution from mining was due, particularly, to the increased revenue from coal, anthracite and asbestos operations.

In the north of England Ashbe and Nephew off-licence shops made a significant addition to £2.2m through its 221 outlets.

Further improvement in sales by the printing and publishing division took place overseas, particularly in book provision.

Meeting, Grosvenor House, W., on March 7 at noon.

LONRHO, the conglomerate with cent. shareholding (in Nyaschere) not already held by the group.

The report also states that throughout the past year the share capital of Nyaschere indirectly held as to 50 per cent. by the Lonrho group, and 50 per cent. by a subsidiary company controlled as to 50 per cent. by Mr. Rowland, 25 per cent. by family trustees, Mr. Ball, and as to 10 per cent. by family trustees of Mr. Ogan.

It adds that Nyaschere has been financed by local currency loans from the group and has as at September 30, 1977, an end of Lonrho's last financial year, these amounted to £4.0m compared with £3.5m a year earlier.

Interest on the loans, charged at 1 per cent. above local prime lending rate.

These loans to Nyaschere have been rising for some time, since the end of September 1977 they were only £2.5m, but the increase in the loan account in 1975-76 had been caused by low copper prices.

No comment was available from Lonrho last night as to terms on which the remaining 50 per cent. of Nyaschere might be bought.

See Tex

## Takeovers increase in 1977

BY JAMES BARTHOLOMEW

IN 1977, the number of company acquisitions rose to the highest level since 1974 and their value was greater than at any time since 1972. However, the takeover figures were slightly down on the previous three months according to Government statistics released yesterday.

The total number of acquisitions in 1977 was 482 compared with 353 in 1976. But this recovery still falls well short of the activity in 1972 and 1973 when the figure was more than 1,200 in both cases. Similarly the total value of the acquisitions at £132m is well up on the 1976 figure of £127m but falls by comparison with 1972 when the total consideration was £233m.

The use of ordinary shares in expenditure on takeovers showed some recovery in 1977. Share issues accounted for 36.4 per cent. of the value of acquisitions in 1977 compared with 37.7 per cent. in 1976. This may reflect the greater buoyancy of the equity market in 1977. But the proportion of cost represented by shares is still well below the peak of 57.6 per cent. reached in 1972.

The use of fixed interest securities in payments for acquisitions has shown no recovery. The proportion is down to a mere 1.0 per cent. from 1.6 per cent. in 1976. Fixed interest securities accounted for more than a fifth of the consideration in the four years to 1973 but have continuously declined in importance since.

The increasing use of cash in takeovers has reflected the diminishing role of equities and interest. But in 1977, cash fell from 20.7 per cent. to 12.6 per cent. of the consideration because of the partial recovery in the use of ordinary shares.

Another contrast between 1977 and 1976 is that major acquisitions increased in number much more markedly than minor ones. Takeovers and mergers worth in excess of £5m more than doubled from 18 to 38, while those worth less than £5m rose by a third, from 335 to 444.

In the fourth quarter of 1977, the level of takeover activity declined slightly. The number of acquisitions fell from 144 in the third quarter to 126 and their

value from £273m to £203m. However, the fourth quarter is usually weaker than the third because many bids finalised then are not included in the statistics until the fourth quarter. The fourth quarter is well up on the same period a year before when only 72 companies were acquired for £134m.

### Record year for J. C. Bamford

Staffordshire-based earthmoving machinery manufacturers J. C. Bamford Excavators sold a record £54m worth of equipment worldwide in 1977, which was a 29 per cent. increase over the previous year, despite fierce competition and no growth in the construction industry generally, says Mr. G. Johnston, the chief executive.

Exports for the year were at a peak, accounting for 58 per cent. of turnover (59 per cent.) but Mr. Johnston states that perhaps the most important achievement was the increase in the company's share of the worldwide excavator leader market, which reached 11.4 per cent. against the previous best of 11 per cent. in 1975.

Mr. Johnston forecasts that in 1978 some £6m (£5.1m) will be invested in capital expenditure, while overall, the group is going for a record turnover of £105m in the current year.

### S. W. Wood loss is £0.2m. at halftime

Profits arising from normal trading activities of S. W. Wood Group during the current year will be more than offset by £500,000 of losses incurred on the disposal of Tyseley Metals, say the directors.

Operations at Tyseley are now being brought to an end and negotiations for the sale of the premises have reached an advanced stage.

In the six months to September

## Noble Grossart confident as profits exceed £1m.

AFTER PAYING deposit interest of £12.2m, against £1.87m, Edinburgh-based merchant bankers Noble Grossart achieved £883,432 in taxable earnings from the year to January 31, 1978.

From the company's strong foundations the directors look forward with confidence for the coming year, Mr. Angus Grossart, the managing director, tells members.

At year end loans made by the company amounted to £14.66m (£12.78m), including £3m (£1.78m) loans up to seven days to banks and financial institutions. Deposit and current accounts stood at £18.02m (£17.78m).

The company, which is unquoted, paid a dividend of £1.00 per share, totalling £37,705 (£30,510). Tax took £470,000 (£446,000) and retained profit emerged higher at £479,093, against £382,552.

There has been a continuing expansion and strengthening of the company's client base with a large part of the growth coming from outside Scotland, particularly from London where the bankers now advise a number of major companies.

The corporate finance business had a good year and was very active in the last few months. This reflected the more positive approach being adopted by most U.K. companies and the relative strength of the capital market, Mr. Grossart says.

The spread of the company's advisory work was wider than in previous years with financings and placings being as important as acquisitions or sales. A large part of total income from advisory work is now of a recurring or predictable nature.

Banking markets were maintained during a period when the whole banking sector was very liquid and there was a limited demand for money. Accepted credit business expanded and there is good scope to increase this in 1978-79, Mr. Grossart comments.

The leasing market was highly competitive but some short-term contracts were written at satisfactory rates.

Development of new opportunities in oil and gas related activities continued both in the U.K. and overseas. The managed companies, Pict. Caber, and North Sea Assets, are now strongly represented in the North Sea.

Noble Grossart's investments, in which the company has an equity interest, had a successful year. There was a major profitable sale of NGI's interest in Century Aluminium. Other investments moved well and several are now earning profit of around £0.5m a year, and in the last few weeks the directors have moved towards completion of several new investments. They see this as an area of profitable and expanding activity.

Investment income 11,152 3,757

Deposits interest 1,324,272 1,965,091

% interest 9.17 15.17

Auditors' Fees 7,000 2,000

Pre-tax profit 1,022,282 885,432

Tax 521,000 446,000

Net profit 501,282 439,432

Preference dividends 4,444 4,470

Ordinary dividends 27,762 30,116

Retained 479,093 405,432

## Marley optimistic

PROSPECTS OF building products

group Marley are brighter for the current year than at the same time last year, directors say in their report to employees.

They say the Government needs to give more encouragement to the building industry and local authorities require more funds for depreciation. These indications are that private enterprise building is showing signs of revival.

And recent cuts in personal tax and other favourable factors, such as the reduction in the inflation rate have tended to increase consumer spending, which will be of advantage to Marley in the current year.

Mr. O. A. Fisher, chairman, in his report with accounts says that looking to the future the most important point to make is that the growing level of capital employed needs a selling volume which has yet to come.

Our capacity to absorb additional business without undue extra cost is, therefore, high, he says.

The year ended on October 31, 1977, resulted in a pre-tax profit of £11.1m, after a pre-tax loss of £11.2m after a charge of £1.3m, charge, for depreciation. These amounts have been reduced 75 per cent. by the bearing adjustment.

Marley is actively researching other building products, particularly in the U.S. and South America. Fisher says there is good potential abroad for the recently developed extruded plastic, extruded concrete products. Marley will be taking advantage of its technical skills in these fields, he says.

Last year's emphasis on spending large sums to promote a widening range of plastic products is continuing, he says.

With the decline in the value of sterling apparently halted, the problem of balance sheet adequacy is no longer as pressing as it was previously. LBI directors have decided to retain all last year's profits with a view to helping fund the expansion of LBI.

## LBI assets up £1bn.

THE REPORT and accounts for 1977 which Lloyds Bank International Ltd. has just published, ever, produced ahead of its parent, Lloyds Bank, show a growth in the sterling value of its balance sheet total from £4,330m to £5,460m during the year. Within that total, assets at £5,235m, and liabilities at £4,330m, at end-1977, there is, they say, plenty of room for expansion of lending.

With the decline in the value of sterling apparently halted, the problem of balance sheet adequacy is no longer as pressing as it was previously. LBI directors have decided to retain all last year's profits with a view to helping fund the expansion of LBI.

Discount houses paid 4.4 per cent for secured call loans at the start, but closing balances were more than plentiful at 2.3 per cent.

## MONEY MARKET

### Interest rates decline

Bank of England Minimum Lending Rate 8½ per cent. (since January 6, 1978)

Sentiment in the London money market has now been completely reversed, and after a period when a sharp rise in Bank of England Minimum Lending Rate was generally expected, it can now be assumed that MLR will remain at 8½ per cent. at 10-day Treasury bill tender, nervousness about the labour situation has been drastically changed by the miners' decision to accept a wage settlement within the Government's guidelines, while the money supply figures to be published next week are expected to

be rather less alarming than this week's banking figures suggested. Indications from the Chancellor of the Exchequer that the forthcoming Budget will not be as inflationary as many have been feared, also helped conditions, with all these factors adding up to an exceptional day for sales of gilt-edged stock, and an easing of interest rates in general.

Discount houses buying rates for three-month Treasury bills are no longer above the trigger point for a rise in MLR.

The authorities success in selling gilt-edged stock is expected to contribute towards a probable shortage of credit to day, but the situation should be helped by a

surplus carried over from yesterday. This surplus of funds was only partly absorbed by the Bank of England, through sales of a small amount of Treasury bills to the market.

A slight net take-up of Treasury bills was against the market yesterday, but this was outweighed by surplus balances brought forward by the banks, a slight excess of government disbursements over revenue payments to the Exchequer, and a slight fall in note circulation.

Discount houses paid 4.4 per cent for secured call loans at the start, but closing balances were more than plentiful at 2.3 per cent.

	Feb. 9 1978	Sterling (Certificate of deposits)	Interbank	Loan (Overnight)	Loan (Aut. bill)	Finance (Overnight)	Corporate (Overnight)	Discount (Overnight)	Money (Overnight)	Bugle (Overnight)	Five Year (Overnight)
Overnight	8.5	8.5	8.5	8.5	8.5	8.5	8.5	8.5	8.5	8.5	8.5
1 day	8.5	8.5	8.5	8.5	8.5	8.5	8.5	8.5	8.5	8.5	8.5
1 month	8.5	8.5	8.5	8.5	8.5	8.5	8.5	8.5	8.5	8.5	8.5
3 months	8.5	8.5	8.5	8.5	8.5	8.5	8.5	8.5	8.5	8.5	8.5
6 months	8.5	8.5	8.5	8.5	8.5	8.5	8.5	8.5	8.5	8.5	8.5
9 months	8.5	8.5	8.5	8.5	8.5	8.5	8.5	8.5	8.5	8.5	8.5
1 year	8.5	8.5	8.5	8.5	8.5	8.5	8.5	8.5	8.5	8.5	8.5

Local authorities and finance houses seven days notice, others seven days notice, 10-14 per cent. 15-14 per cent. 15-14 per cent. 15-14 per cent. 15-14 per cent. 15-14 per cent. 15-14 per cent. 15-14 per cent. 15-14 per cent. 15-14 per cent. 15-14 per cent. 15-14 per cent.

Approximate selling rate for one-month Treasury bills 8.5 per cent. 10-14 per cent. 15-14 per cent. 15-14 per cent. 15-14 per cent. 15-14 per cent. 15-14 per cent. 15-14 per cent. 15-14 per cent. 15-14 per cent. 15-14 per cent. 15-14 per cent.

Approximate selling rate for one-month Treasury bills 8.5 per cent. 10-14 per cent. 15-14 per cent. 15-14 per cent. 15-14 per cent. 15-14 per cent. 15-14 per cent. 15-14 per cent. 15-14 per cent. 15-14 per cent. 15-14 per cent. 15-14 per cent.

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Approximate selling rate

# Aurora buys 24% stake in Osborn

Y CHRISTINE MOIR

SHEFFIELD special tools company Aurora Holdings has bought a 24% stake in Osborn Engineering, a major supplier of tools and engineering equipment to the motor and aircraft industries. The deal, which was announced yesterday, will give Aurora a 24% stake in Osborn, which has a turnover of £10m and employs 150 people. Aurora, which is owned by the late Sir John Osborn, has been in the process of buying Osborn for some time. The deal, which was announced yesterday, will give Aurora a 24% stake in Osborn, which has a turnover of £10m and employs 150 people. Aurora, which is owned by the late Sir John Osborn, has been in the process of buying Osborn for some time.

## BOARD MEETINGS

The following companies have notified the London Stock Exchange of board meetings to be held on the following dates:

Company	Date
Anglo American	Feb. 12
Anglo American	Feb. 12
Anglo American	Feb. 12
Anglo American	Feb. 12
Anglo American	Feb. 12
Anglo American	Feb. 12
Anglo American	Feb. 12
Anglo American	Feb. 12
Anglo American	Feb. 12
Anglo American	Feb. 12

## SGB Group hopes for improvement

Sir Edgar Beck, chairman of SGB Group, hopes that the worst of the building recession is over and that the group's good results of 1976-77 will continue with further growth in the current year. He says in his statement with accounts that the overall progress of the group depends on the construction industry. There are a number of overseas territories where substantial improvements in the building industry are expected. The group's accounts for 1976-77 show a turnover of £10m and a profit of £1.5m. The group's accounts for 1976-77 show a turnover of £10m and a profit of £1.5m. The group's accounts for 1976-77 show a turnover of £10m and a profit of £1.5m.

## DoT to investigate H. & C. Davis

H. AND C. DAVIS, manufacturers of balustrades and general light engineering, is to be the subject of a Department of Trade investigation, it was announced yesterday.

H. and C. Davis, whose 2.85 per cent share is quoted on the Stock Exchange, made a pre-tax loss of £2,507 in 1976 and a profit of £2,575 in 1977. In his latest annual statement, the chairman, Mr. L. Hastings, commented that 1976 "was not an easy year" and that 1977 "was extremely difficult to obtain".

However, Mr. Hastings commented that the outlook for 1978 was more hopeful, as in recent weeks there have been signs of increased activity.

The 1978 accounts were qualified by accountants Pwint, Neame and Company. The advance of £128,772 to the parent company, Rockham Holdings, was thought "unlikely to be repaid" and the accountants were unable to form an opinion as to whether a loan and accrued interest of £20,161 was "good". Moreover, they considered that advance corporation tax of £1,481 should not have been treated as recoverable.

The Secretary of State for Trade, Mr. Edmund Dell, has instituted the investigation under Section 163(b) of the Companies Act 1947. Both inspectors, Mr. R. A. T. Stanley and Mr. R. F. C. Day, are officers of the Department of Trade. Inspectors from within the Department are often appointed to investigations of smaller companies.

## BANK RETURN

Wednesday, Jan. 10, 1978

Banking Department

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## MINING NEWS

# Government loans to save mining jobs

BY KENNETH MARSTON, MINING EDITOR

CANADA'S Inco, the world's largest producer of nickel, is now studying the report of an Ontario Legislative committee which has recommended a 60-day moratorium on employee lay-offs by Inco at its major Sudbury operations. The moratorium is designed to avoid 1,800 redundancies which were due to start on February 13.

The report said that the Federal and Ontario governments would be asked to finance interest-free loans to Inco to cover the excess nickel production which would occur as a direct result of not carrying out the job cuts. It also said that the United Steelworkers of America trade union, which represents the mine and smelter workers, would be asked to develop and implement a job-sharing programme.

Inco has been particularly severely hit by the depression in the market for nickel. The company's fourth quarter earnings last year declined to \$18.5m (£23.7m) compared with \$60m (£76.5m) in the same period of 1976 and its total earnings for 1977 amounted to \$290.5m (£363.1m) in the previous year.

The chairman, Mr. Edwin Carter, has told the Ontario committee that Inco would face bankruptcy if it were forced to abandon its production cutbacks in order to maintain full employment. Meanwhile, it is reported that Mr. Yves Bérubé, the Quebec Minister of Resources, has disclosed that his Government has signed an agreement with Campbell Chibougamau Mines to provide the company with up to \$200,000 in preferential loans at a 5 per cent interest.

The arrangement is designed to help the copper producer in develop new ore reserves and forestall the closing of its northern Quebec operations. The payment of the loan will be made when copper prices recover and the company makes profits again.

In return, Campbell Chibougamau has agreed to maintain its Cedar Bay and Henderson operations and to supply the Government with a development plan for the Henderson mine by June 15. The company will remain in operation providing its operating loss does not exceed \$100,000 per month for more than two successive months.

The Minister also said that negotiations are continuing with France on a programme whereby Quebec would guarantee a long-term copper supply and France would help in exploration. The depression of nickel and copper markets is hitting the producers throughout the world and pending the revival which must eventually come, many world mines face production cutbacks and possible closures.

Indeed, this is already happening in Australia where the authorities are supporting Consolidated Gold Fields' loss-making Mount Lyell copper mine in Tasmania in order to preserve jobs on which the township of Queens-town largely depends.

Governments have been criticised, and rightly so, for severely taxing "windfall" profits when metal prices are riding high and saying little when they are low or when the mining companies are taking the exploration risks.

If, however, this trend towards supporting mines, whose jobs are at stake continues, Government of developed countries might find themselves in the ironic position of being criticised for maintaining metal production at a time of world surplus, at the expense of mines in hard-pressed developing countries.

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dividends, the investment company Anglo American Gold Investment (Angold), is to change its financial year-end from December 31 to the last day of February. The current financial period will therefore run from January 1, 1978 to February 28, 1979.

The Anglo-Italian Interim for the current financial period will be declared as usual in mid-June, for payment early in August, while the final will be declared early in March 1979. Thereafter, interim results will be declared in August and final results in September.

New Central Wits has changed its year-end from June 30 to August 31. The current period will therefore run from July 1, 1977 to June 30, 1978. The interim dividend will be declared towards the end of September 1978. Thereafter, interim results will be declared in March and final results in September.

For three of the last four months Gopeng has been affected by flooding. Only in December was output higher than in the same month of the previous year. The production figures for the mine and others in the group are compared in the accompanying table.

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# Small profit by Grimshawe

Grimshawe Holdings, the company formerly headed by Mr. Peter Grimshawe, made a small profit of £13,000 in the six months to October 31, 1977, compared with one of £7,000 in the corresponding previous period. In the full year to April 29, 1977, there had been a pre-tax loss of £29,000, against one of £291,000 in 1975-76.

The chairman, Mr. Thomas Kenny, points out that the results of the group, which has a large debt to the Midland Bank, were helped by lower interest rates; interest payable in the half year was £55,000, against £89,000. Closure costs of the Scottish retail outlets, which have lost money consistently over the years, and have now ceased trading, absorbed £28,000. The greater part of the assets of Minicircuits have been sold, involving a non-recurring loss put at £17,000.

Mr. Kenny notes that the company is seeking to recover through the High Court—other methods having failed—the moneys due from Goldenburgh Holdings and referred to in the interim statement of February, 1977. The interim dividend has also been secured, procedures against Grimshawe and Mr. R. Philby, who were directors at the time of the transactions in question.

Trading conditions continue to be difficult, says Mr. Kenny. "We are competing with the majors who operate in our sector. The encouragement is that we have escaped from a period of sizeable losses to one of profit, albeit small. The directors are pursuing their usual course to recover something for the shareholders; in balance there seem to be more pluses than minuses."

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## INTERNATIONAL FINANCIAL AND COMPANY NEWS

## SCANDINAVIAN NEWS

## Atlas Copco's earnings down again

BY WILLIAM DUFFLOR

ATLAS COPCO, the Swedish rock-drilling and compressed air equipment group, reports a decline in pre-tax earnings in 1977 for the second year running. After lower tax provisions and reduction in the inventory reserves, however, the preliminary figures show an increase of over 60 per cent in the net consolidated profit to Kr.164m. The board recommends an unchanged shareholders' dividend of Kr.6 a share.

Pre-tax earnings slipped by 12 per cent in 1977 to Kr.297m. (\$64.6m.). The operating profit after depreciation was almost exactly the same at Kr.442m. but net financial costs increased by Kr.42m. to Kr.145m.

Sales grew by just under 10 per cent to Kr.4.16bn. (\$905m.), which means that the volume remained virtually unchanged. Foreign markets accounted for 92 per cent of turnover, as sales inside Sweden shrank by 15 per cent. Substantial gains were recorded in Norway, Britain, the U.S., Australia, Holland and Belgium.

Second-half pre-tax earnings

came out at Kr.132m. against Kr.165m. in the first half but they represent only a slight decline from the Kr.138m. recorded in the second half of 1976, when Atlas Copco's profit slide started. The Swedish companies are still operating at loss mainly due to high cost levels, low capacity utilisation and currency losses.

## AGA better in second half

PRELIMINARY results from AGA, the Swedish industrial gas, heat engineering and welding concern, give a drop of Kr.20m. in pre-tax earnings to Kr.174m. (\$37.4m.) in 1977. This is better than the management's half-year forecast and reflects a second-half recovery to Kr.91m., compared with Kr.83m. for the first half and Kr.90m. in the second half of 1976.

After adding the extraordinary income from the sale of subsidiaries and fixed assets, the pre-tax figure comes out at Kr.194m., against Kr.205m. Earnings per share are provisionally estimated at Kr.14 compared with Kr.17.75 in 1976. The Board proposes to pay an unchanged dividend of Kr.5.50 a share. Group turnover was Kr.2.45bn. (\$527m.), which amounts to an

increase of 12 per cent after adjustment has been made for the companies sold. AGA disposed of its battery company, Tudor, and its military electronics operation in 1977 as well as a Danish electronics company.

The group operating result after depreciation was Kr.235m. If the companies sold are eliminated from the 1976 figures, this amounts to an increase of 13 per cent. Net financial costs, including dividends, decreased from Kr.38m. to Kr.21m. but the preliminary account includes a currency loss of Kr.43m. emanating from the devaluation of the krona and the appreciation of the Swiss franc.

The total estimated loss, both realised and unrealised, has been included in the 1977 account. Liquid assets at the end of the year were Kr.407m. compared with Kr.310m. at the end of 1976. The preliminary report contains no profit forecast, but in a newspaper interview this week Mr. Sven Agnér, the managing director, anticipated a "noticeable improvement in profitability" this year.

## AMERICAN NEWS

## New crude supplier for Corco

By Our Own Correspondent

NEW YORK, Feb. 9.

COMMONWEALTH OIL Refining Company (Corco) which is still seeking an alternative to filing for bankruptcy, has secured a replacement for Ashland Oil as a supplier of crude oil for its Puerto Rican refineries.

Corco announced yesterday that subsidiaries of Coastal States Gas, the Houston-based company, had agreed to supply the required amounts of crude oil, naphtha and condensate to keep the refineries running for six months from yesterday.

Keeping alive the possibility of its filing for protection under Chapter 11 of the Federal bankruptcy laws, Corco stressed that the agreement with Coastal States would be an important step in ensuring that the company would maintain its operations through any bankruptcy process.

Ashland had been supplying Corco with crude and other oil products for most of last year under a series of agreements which eventually expired on February 3. Coincidentally, it had been negotiating with Corco and its banks on taking control of the troubled refinery but no agreement had been reached.

Under the new supply arrangement Corco will lease to the Coastal States Gas subsidiary dock facilities, tank storage and pipelines at its Guayama Bay refinery in Puerto Rico.

## Record results for ITT despite final quarter slip

BY JOHN WYLES

NEW YORK, Feb. 9.

INTERNATIONAL TELEPHONE and Telegraph Corporation, the world's largest conglomerate, achieved record sales and earnings last year despite a 20 per cent decline in fourth quarter earnings which is largely attributed to the effects of accounting rules on foreign currency fluctuations.

Mr. Lynman Hamilton, who succeeded the legendary Mr. Harold Gennep as chief executive at the end of last year, explained that under the accounting ruling, the company is required to write up foreign currency liabilities immediately while stock appreciation can only be recorded as a gain when the currencies are

sold. Eventually, he said, the company would show a benefit from currency movements.

For all of 1977, the company expects to report earnings before extraordinary items of \$662m. or \$4.14 a share, a 14 per cent increase on 1976's \$492m. or \$3.85 a share. Sales are estimated at \$13.1bn. compared with \$11.8bn. in 1976. Insurance and finance income is not included in this figure and this additional revenue was \$3.5bn. compared with \$3.1bn.

In the fourth quarter, ITT reported a preliminary profit before extraordinary items of \$122m. or 88 cents a share, a decline from the \$153m. or \$1.21

the share which was the result of the 1977 fourth quarter.

Sales in the quarter rose \$3.9bn. from \$3.5bn. ITT expects to make an extraordinary provision for the fourth quarter against the expected sale of building subsidiary, Levin & Sons. The writedown is the difference between book value and the expected sale price.

The impact of this loss on year-end figures will be reduced to \$1.6m. by offsetting gains of 14 cents a share estimated from the sale of ITT's gains in Aris.

## Kodak fuels camera price war

BY OUR OWN CORRESPONDENT

NEW YORK, Feb. 9.

THE fascinating duel in the instant picture camera market between Polaroid and Eastman Kodak moved to new ground yesterday with an announcement from Kodak of lower prices and new models.

Instant picture camera sales rose by an impressive 68 per cent in the U.S. last year, which was Kodak's first full year in the market. Although around 68 per cent of all sales were by Polaroid, Kodak introduced a significant measure of price competition and boosted its volume from 1m. to 5m. units.

Since last year's growth is

unlikely to be matched this year, analysts foresee a much sharper battle for market share. Kodak's new move is expected to let to its rival by reducing the recommended price of its least expensive model, the Handle, from \$39.95 to \$34.95.

At the same time it announced that it would be introducing two new cameras, the Colorburst 100 and the Colorburst 200, which would replace the EK4 and EK5 launched in 1976. The cut in the recommended price of the Handle will put it \$5 cheaper than Polaroid's fast-selling One Step, but rebating last year had

generally made the camera market more competitive. Kodak also plans to launch four new conventional cameras priced from \$12.95 to \$44.95. Two additional models, the Ektrastix and the Ektrastix II, will be launched in August. Their prices have not yet been disclosed. Kodak claims that four new cameras will be more competitive than older models because they will be equipped with better shutters and better lenses. The new cameras will be available today, announced its quarterly dividend of 40 cents, but rebating last year had

## INTERNATIONAL CAPITAL MARKETS

## Venezuelan DM700m. package

BY FRANCIS GHILES

VENUEZUELA is expected to raise DM700m. in a few weeks time. This amount will be raised by means of a joint package—DM200m. in the form of a bond and DM500m. in the form of a medium term credit. Lead manager for both operations is expected to be Westdeutsche Landesbank. These operations will contribute substantially to the funding of the Republic's foreign borrowing programme this year. The D-Mark bond issue will be one of the largest ever by a member of the Organisation of Petroleum Exporting Countries (OPEC).

The fine fettle of the Deutsche mark sector of the bond market was further demonstrated by the terms for the Brazilian Banco Nacional de Desenvolvimento Economico (BNDE) issue, DM150m. for eight years with an indicated coupon of 8½ per cent and a coverage of 6.5 years. This bond is being arranged by Commerzbank.

Only last month the Republic of Brazil was paying the same coupon on a bond with a maturity one year shorter. Although the BNDE is government controlled, its bond carries no sovereign guarantee. The borrower is not considered as of the same quality as the Republic.

The secondary market moved

up again yesterday, spurred by the terms for the latest domestic Federal Government funding which confirmed that interest rates were on their way down. Some names were up by as much as half a point on the day.

The strength of the market was well demonstrated by the fact that the Banque Nationale d'Algérie's 7½ per cent issue which had been priced at par by lead manager Dresdner Bank

was being quoted around 99, a worthwhile performance as Algeria is now the market's favourite borrower.

The next D-Mark operation will be a private placement for the French borrower, Groupement pour l'Industrie Sidérurgique. It is due to be announced next Monday by Bayerische Landesbank.

In the dollar sector, a \$30m. issue was launched last night for Hitachi Zosen. Maturity is five years and the indicated coupon 8½ per cent. Lead managers are Nomura and S. G. Warburg. The bond will be guaranteed by

Sanwa Bank. Pricing is indicated at a discount.

The dollar secondary market remained firm and there was considerable activity in the Floating Rate Note area which was described by dealers as very firm. The sterling sector continued to recover. INA opened in first time trading at 98½-99½ while the recent Sears issue was quoted at 98½-99½.

In the Swiss franc sector the Austrian Electric utility Oesterreichische Donaukraftwerke plans to float a Sw.Frs.100m. 15-year bond from February 23-25. Final terms are as yet undisclosed.

Societe Marocaine de l'Industrie du Raffinage (SAMIR) is raising a K.Dinar7m. ten-year bond with a coupon of 8½ per cent. Pricing was at par with the whole issue being underwritten by the two co-lead managers: Banque Arabe et Internationale d'Investissement and Kuwait International Investment Company. The bond is guaranteed by the Kingdom of Morocco.

Charles Batchelor adds from Amsterdam: Amro plans to place privately a Fls.70m. five-year note carrying a coupon of 7 per cent. Subscriptions for the note which have been priced at par will open on February 10.

## SI Pirelli looks for same again

Financial Times Reporter

SOCIETE INTERNATIONALE Pirelli SA, the Basle-based international holding company in the Dunlop-Pirelli union, expects profits for the year to June 30 to be similar to those last year.

Sales of companies under its direction reached approximately Sw.Frs.2,550m. in 1977, about 10 per cent more than in 1976. The profits of the associated companies and the Dunlop companies in which Societe Internationale Pirelli has holdings reached on the whole a satisfactory level in 1977, according to the company.

The acquisition of the electric power cable operations from General Cable Corporation in the U.S. will become operative at the end of March, 1978. The Board has decided to redeem in advance the two 5½ per cent 1967 and 1968 debenture issues for Frs.35m. and Frs.40m. respectively, and to offer the conversion into a new debenture loan.

## ESAB cuts its dividend

By Our Own Correspondent

STOCKHOLM, Feb. 9.

ESAB, the Swedish welding equipment manufacturer, experienced a sharp profit slump in 1977 and the Board proposes to cut the shareholders' dividend from Kr.9 to Kr.7 per share. It is reducing its expansion targets and mothballing plans for new units in Sweden, Britain and West Germany.

Preliminary figures show a loss of Kr.16m. (\$3.45m.) before extraordinary items compared with pre-tax earnings of Kr.54m. in 1976. The loss grows to Kr.18m. after extraordinary items. Sales increased by 8 per cent to Kr.1.3bn. (\$283m.).

The parent company in Gothenburg has been particularly badly hit, reporting a loss of Kr.28m. on a Kr.435m. turnover. At the halfway stage ESAB was still showing a profit of Kr.8m. so that the plunge into the red has come during the second half.

The preliminary report attributes the slide partly to weakening demand and poor price developments but also to the structural changes taking place among some of ESAB's principal customers, the shipyards and the steel industry.

## Sidor defers international funding plans

BY JOSEPH MANN

SIDOR, Venezuela's state-owned steel manufacturer which sounded out foreign banks late last year for a loan of \$500m. will not seek any credits on the international capital market "over the next few months," the president of Venezuela's Central Bank said today.

Mr. Benito Rual Losada, the bank president, said that Sidor would meet its immediate capital needs through loans from the Venezuelan Investment Fund (VIF), a state financial institution with assets of around \$6.9bn. He added, however, that it was likely that Sidor would again for a 10-year syndicated loan of \$1.2bn. for the Republic of Venezuela.

According to figures released by the Government, it is estimated that the official sector's borrowing plans through 1980 will require just over \$3bn. in additional loans and buyers' credits. This figure, though, could be increased as a result

of cost overruns or other credits for refinancing.

The Venezuelan Government's total external debt—including obligations of Government-owned institutes and enterprises—reached a record \$4.77bn. last year, up from \$3.5bn. the previous year.

In 1976 the Government made its first big entry into the Euro-credit market with a syndicated loan for \$1bn. which was used to refinance outstanding short-term debt. Last year it agreed to two syndicated loans totalling \$1.55bn. and sold three bond issues in New York and London which added up to \$350m. It also launched Republic of Venezuelan bonds in Tokyo for \$20bn.

Most of these funds were applied to the Government's ambitious industrial development projects, including steel, aluminium, hydro-electric power and public works.

## CPC predicts sales and profit advance

By Terry Byland

HIGHER sales and profits are expected in 1978 by CPC International, despite continued adverse conditions in its domestic corn sweetener division.

CPC reports net earnings for 1977 of \$122.9m. or \$5.80 a share compared with \$122m. or \$5.15 a share previously. Sales totalled \$2,866m. against \$2,639m. International operations had an "exceptionally good year" and increased their contribution to group earnings from 55 per cent to 62 per cent, on a sales contribution of 60 per cent against 57 per cent.

The fourth quarter brought in net earnings of \$11m. or \$1.73 a share compared with \$38m. or \$1.61 a share in the preceding year, on sales of \$741.1m. against \$674.4m.

The company said that while its corn products unit of the U.S. industrial division maintained sales levels, "the erosion of prices in the U.S. for corn sweeteners together with overcapacity in the industry adversely affected sales revenues and resulted in a small operating loss in the domestic corn wet milling business."

But its other industrial operations, CPC Europe and CPC Latin America made "good earnings progress."

CPC Europe and Best Foods division "posted strong gains" in sales and earnings and divisions in Latin America and Asia "also recorded good increases."

For 1978, CPC looks for improvement in its consumer businesses, both domestic and international. The company is best known in Europe via its CPC (U.K.) and CPC (Europe) operating companies, for its Knorr packet soups, Hellmann's mayonnaise and Mazola corn oils.

## Pan Am turnround to \$45m.

BY GEORGE MILLING-STANLEY

NEW YORK, Feb. 9.

AGAINST ANALYSTS' projections of net profits of some \$59m. for 1977, Pan American World Airways made operating net profits of \$45m. on revenues of \$1,919m. The previous year's restated figure was a loss of \$13m. from revenues of \$1,680m.

Pan Am said that 1977 results were adversely affected by an \$8.4m. adjustment which recorded the effect of capitalising finance leases in accordance with FAS-13. Excluding this adjustment, which had no effect on the company's cash flow, net income would have been \$53.4m.

The company recorded a net loss in the fourth quarter of \$9.5m. on operating revenues of

\$476.3m. In the same period a year ago, the net loss was \$100.0m. on revenues of \$483.6m. but no proper comparisons can be drawn because of the summer accounting changes. The 1977 loss a year ago was struck after a tax credit of \$300.0m.

With present legislation permitting airlines to offset income taxes completely against available tax credit, no federal income taxes were provided for in 1977. However, the 1977 results also provide for foreign state and local taxes of \$4.2m. while the 1976 full year had a net tax credit of \$1.4m.

The 1977 net profit was equal to \$1.06 per share or 83 of year ago, the net loss was fully diluted. Fourth quarter loss was equal to 22 cents a share. Operating expenses were \$472m. compared with \$507 for the fourth quarter of 1976, against \$1,639m. for full year.

The 1976 figures, which have been restated, exclude an ordinary gain from a debarment of \$117.5m., less net taxes of \$28.2m., and a gain in a tax loss carry forward of \$22.7m. for a total of \$27.5m. With the inclusion of extraordinary gains, Pan Am 1976 net loss became a net profit of \$89.9m. (\$2.36 per share fully diluted).

## Alcoa shipments may fall

NEW YORK, Feb. 9.

ALUMINUM Company of America expects that its first quarter shipments "will definitely be up from the fourth quarter's 332,000 tons, but says it will not be a "rough" to match the year's first quarter shipping pace of 447,000 tons.

Mr. George T. Haymaker, Jr., vice-president and treasurer, did not project earnings at a question-and-answer session with securities analysts here. But he said after the meeting that the difficulty in matching year-to-year shipping levels "which has prevailed for the past two quarters" reflects "some softness" in demand for non-rolled products. He also noted that there was some strike-hedge buying a year ago.

But Ms. Louise Wilson, associate economist, said Alcoa is not changing its late-1977 forecast for total industry shipments. That projection called for a 5 to 7 per cent shipment rise this

following last year's advance estimated by others at 5 per cent. Alcoa, she said, was likely to be "consistent with the industry."

While there is still some softness in demand for non-rolled products, Alcoa sees an improving trend. Mr. Haymaker said after the meeting that "orders for these products started strengthening pretty sharply in the September to October period."

Demand for flat-rolled products continues strong with delivery times for current orders stretching into May.

Emphasising the company's previous reluctance to press ahead with expansion of raw metal capacity, Mr. Haymaker said the analysts: "We are deferring decisions on investment in new smelting facilities until some time in 1979."

## World Bank borrowing

BY DAVID BELL

WASHINGTON, Feb. 9.

THE WORLD BANK has completed its latest \$4.2bn. financing plan for almost a year. The Bank will have met its financing needs by borrowing entirely outside the U.S.

Eugene Rader, the Bank's treasurer, said on Wednesday that this underlines the considerable liquidity in the world in general and, in particular, shows how much success the Bank has had in its own investment diversification policy.

He said that the relatively low interest rate on the money issued last year was a "pretty cheap" money around.

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## Marshall Field in talks on take-overs

CHICAGO, Feb. 9.

MARSHALL FIELD, the retail group, which early yesterday announced plans to expand into the south, and the subject of a take-over bid by Carter Hawley Hale, also is considering acquisitions as a means of becoming a national concern, said Mr. Angelo R. Arena, president and chief executive officer.

Mr. Arena said Marshall Field is "involved in some conversations with others." He declined to identify any of the acquisition possibilities.

He said the company was not currently negotiating with E. Altman about acquiring the New York retailer, though the two companies have had some talks.

The company stressed that Marshall Field has been considering acquisitions for some time and that its present talks are not in response to the bid by Carter Hawley Hale, Agencies

for automotive and stationary engine applications in the U.S. in co-operation with a U.S. manufacturer.

The group said to-day that the aim was to establish a joint effort to make Karl Schmid's technology available to U.S. engine manufacturers and to develop within the next few years production capacity in the U.S. primarily for pistons for heavy duty diesel engines as well as pistons and aluminium cylinders for two-stroke chain saw engines.

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Extendable at the Noteholder's Option to February 15, 1978 (denominated in Australian dollars, but payable only in United States dollars) Guaranteed unconditionally as to principal, premium, if any, and interest by

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The Notes of AS\$1,000 each constituting the above issue have been admitted to the Official List of The Stock Exchange in London. Interest is payable annually on 15th February, the first such payment being due on 15th February, 1979.

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10th February, 1978

## Poor growth rate at Alcan Australia

**SYDNEY, Feb. 9.**

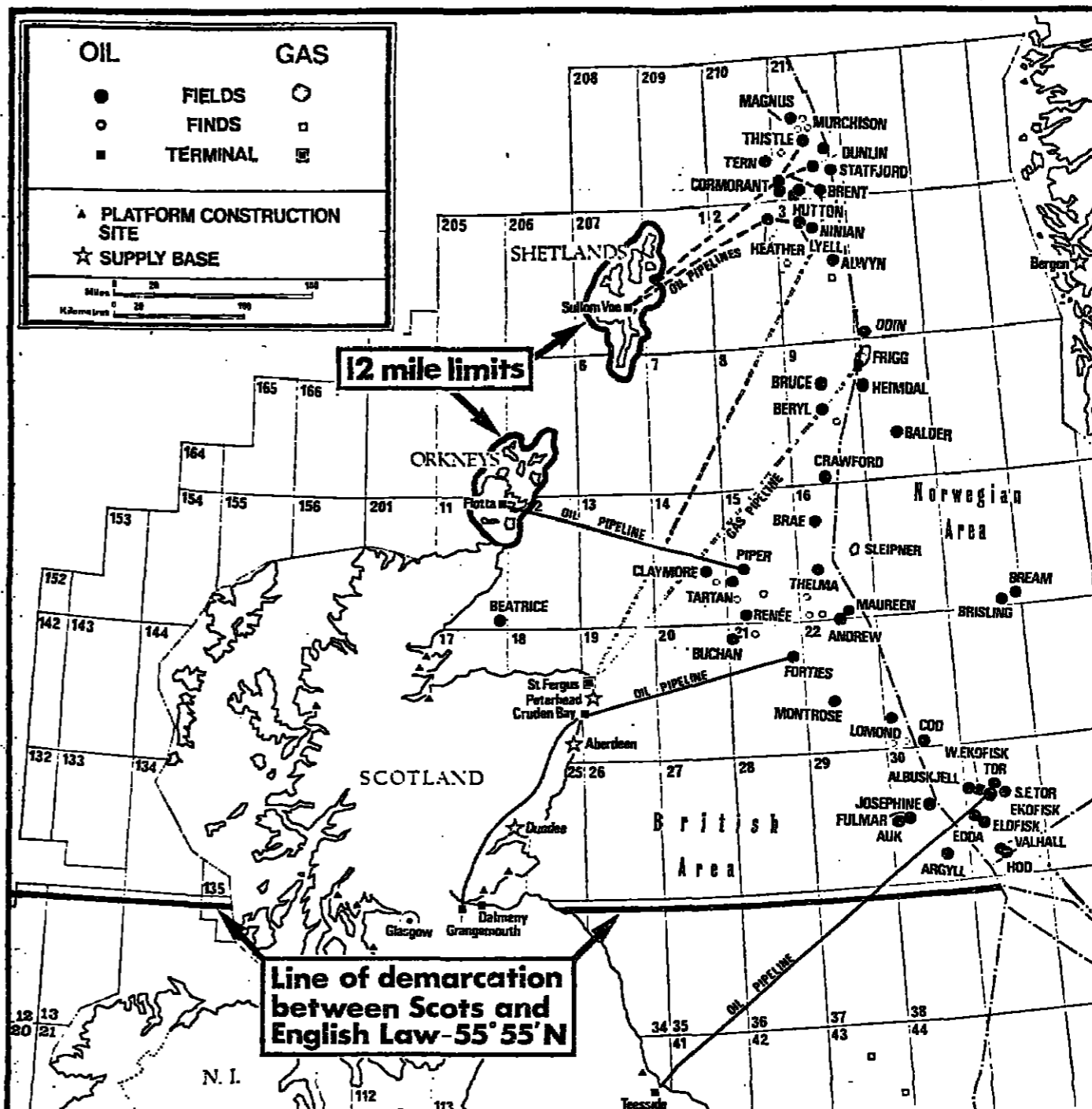
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## NORTH SEA OIL REVIEW

BY RAY PERMAN

# Who would own what if Britain split up



SIX WEEKS of the future of the island of Shetland will be decided by the island's council to vote on the political future of their community. Later this year, provided no more disasters befall the Government's devolution, they will be asked to vote on the same subject, but by electors taking part in the Scottish referendum. And if the Scottish Council of the Labour Party and the Scottish National Party get their way, that second vote will cover not only devolution but independence for Scotland as well.

These two political events are clearly very closely connected to the development of the North Sea. It was Shetland's location in the exploitation of the fields off the island's east coast that gave the islanders efficient political muscle to force an amendment to the government's Bill against the attention of national newspapers and television. Oil, too, the reason the islanders' council so concerned about the future, fears some interference with the special powers and revenues it gained and is anxious to protect them.

## Independence

Oil is in no small part responsible for the rise in Scottish feeling over the past five years, and the considerable support that the Scottish National Party now enjoys. So the debates that are still to come on the position of Shetland in Scotland, and of Scotland in the U.K., will figure strongly. It is timely, then, to consider what would happen if Scotland voted for independence, a referendum, or returned a enough group of nationalists to Westminster to force a referendum. Who would own the oil? It is a question that has been asked before. A year ago, Shetland was flexing its muscles over a previous ill-fated attempt at revolution. Then, a number of

politicians seized on the prospect of the Shetlanders opting to stay with the U.K. to claim that in such an eventuality many of the most profitable oilfields would not fall to Scotland at all, but would remain British.

Their argument was bolstered by a book, *Independence and the Shetland Islands: The Legal Implications for Scotland*, in which Mr. John P. Grant, a lecturer in law at Glasgow University, gave the claim some substance.

"It has been predicted that, should Scotland attain independence, Orkney and Shetland alone would settle for so few themselves or would choose to remain with Westminster. Should either of these happen, a delimitation line using the customary rules of international law would have to be drawn in the North Sea and the Atlantic Ocean."

"It is a safe prediction that this boundary would have to be drawn in such a way as to exclude from the Scottish sector the Thistle, Dunlin, Cormorant, Brent, Brae, Ninian and Alwyn fields, all of which lie to the east of Shetland."

But before considering that judgment, it is worth examining what would be claimed by the Scottish Nationalists and what actually are the international procedures for settling such claims.

The SNP maintains that waters north of the parallel 55 degrees 55 minutes north—extending due east from a point a little to the north of Berwick on Tweed—are Scottish. Such a policy would give Scotland not only all the oilfields but the largest area of North Sea continental shelf of any country, some 160,000 sq. km., compared to Norway's 131,000 and England's 84,000.

## Geological

The basis for the policy is that the parallel is the line used domestically in the Continental Shelf (Jurisdiction) Order 1968 to draw the distinction between waters which fall under the jurisdiction of Scottish courts and law, and those which are subject to English legal processes. It also happens roughly to correspond with a geological feature on the sea bed known as the Northumbrian Arch.

If it ever came to arguing for such a line before an international court, it is likely that the SNP would be made to look rather foolish. To be fair to it, the party hardly argues it now with any conviction. Drawing a line due east from the border would have as much international validity as choosing the line suggested by the English National Party, which would have given the Forthies Field to England. It is a negotiating position, nothing more.

The first principle of international law in settling rival claims is that the two sides should try to come to their own arrangement amicably. This is a course which should certainly recommend itself to England and Scotland, bearing in mind how long the Channel problem took to solve and the possibility that (as we shall see later) if they cannot come to an agreement there are some fields

which could end up belonging to neither of them.

Failing a settlement, the principle of equidistance is applied as specified in the Geneva Convention. The practical effect of this would be not a great deal different than accepting the SNP's opening bid. Depending on how this criterion was interpreted, the line would either pass south of the most southerly field, or would cut off the most southerly group, Auk, Argyll and Josephine—some of the smallest, and likely to be some of the shortest-lived fields.

It is in the north where things begin to get more interesting. If Shetland votes to stay with Britain, who gets the big fields in the East Shetland basin? Mr. Grant's analysis assumed that the Shetland Islands would be considered as a State in their own right, with territorial waters on an equal footing with those of Scotland. Although this might be the case if Shetland was to vote to become completely independent, it would not be if the Shetlanders decided to stay with the U.K.

## 12-mile zone

The Channel decision suggests that in this case, if Shetland remained in the U.K., the islands might be treated in the same way as the Channel Islands and allowed only a 12 mile territorial zone inside the Scottish area. This would also have given the Forthies Field to England. It is a negotiating position, nothing more.

As no one has yet suggested that there is oil inside the Shetland 12-mile limit, this would leave the islands with no ownership over oil at all, although presumably they would still enjoy the benefits flowing from the Sullom Voe oil terminal. But whether this realisation will quieten those who have been

claiming fields on Shetland's behalf is another question.

What then happens to the fields if Shetland does not get them? All of the developments in the East Shetland basin are close to the median line between the U.K. and Norway and it would take only a small deviation of the line to the west to put them into the Norwegian sector.

If the Shetlands no longer were used as reference points in charting the median line mid-way between the British

and Norwegian coasts, then the line would be drawn using the most northerly point on the Scottish coast as its reference.

This would swing the median line to the West, cutting off at least the most northerly fields from the Scottish or British sectors and putting them into the Norwegian sector. For this reason, if no other, the two countries would be well advised to reach some mutually acceptable agreement rather than resorting to arbitration.

Of course, this scenario is as speculative as Mr. Grant's was. The final decision by the national courts. They simply drew a line half-way between the British line and the French line. The moral here, then, is that really there are no "customary rules of international law," or at least not yet. The question of islands in settling disputes over territorial claims is still uncertain. We shall learn more if and when the dispute between Elre and French, which was that the islands should be disregarded altogether, comes before the international courts.

## APPOINTMENTS

### Dugdale will replace Bigland at Guardian Royal Exchange

BY MARGARET REID

R. ERNEST BIGLAND, who will be 65 in December, is to retire as managing director of Guardian Royal Exchange, one of Britain's largest composite and insurance companies, at the annual meeting in June. His successor will be Mr. Peter Dugdale, 48, a general manager (overseas).

Mr. Bigland became chief executive of the Guardian Assurance in 1960 and played a key part in that company's expansion through a series of take-overs, including the merger with Royal Exchange Assurance in 68 which created the present group.

Mr. Dugdale joined the Guardian group in 1960 after the acquisition of the Hong Kong-based Union of Canton, in which he had worked since 1949, finally as a managing director.

Mr. Dugdale has been chairman of the British Insurance Association since 1975-76.

He chaired the working group which led in 1976 to the setting up of a range of institutions of public utility for industry, of which he is a director. He will become an additional deputy chairman of the GRE, of which he is now a vice-chairman, after his retirement.

Mr. Charles Ball has been appointed non-executive director of PEACOCK PROPERTY CORPORATION.

Mr. Frank Quaranta has been appointed secretary of BASS HARRINGTON and will also be responsible for public relations of the group. Mr. Richard Beer, appointed the divisional director of Bass Charrington for

has appointed Mr. Howard Kay an industrial relations officer. He was previously with British Gypsum.

Mr. Michael Hare has been appointed chief executive of S. Pearson and Son.

Mr. Douglas H. Brindley, former chairman of Galloway & Strindley, has been appointed chairman of GEORGE LAW.

Mr. T. V. Emmerson is to retire as managing director of CEAM, and resign from all group appointments and directorships on April 30. Mr. A. L. Wilkes, who joined the group in 1970, has become a deputy chairman.

### British Shipbuilders Board post

BRITISH SHIPBUILDERS has appointed a full-time managing director of industrial relations and is expected to announce shortly an industrial relations director at main Board level.

Mr. Ian Farrington, director of industrial relations at Govan, will be the National Coal Board's Yorkshire area and then head of productivity services for the Electricity Council before joining Govan in 1972. He was born in Aberdeen and holds a degree in philosophy and moral philosophy.

His new post will be based at British Shipbuilders Newcastle headquarters.

Dr. P. J. Palmer and Mr. R. N. Gollman have been appointed directors of SMALL BUSINESS CAPITAL FUND, the venture capital member of the Co-operative Insurance Society.

Mr. Robert H. Hampson has been appointed managing director of CAPPER PIPE SERVICE COMPANY, a subsidiary of the Capper-Neill Group. He succeeds Mr. Kenneth G. Kitching, who has been managing director since 1967. Mr. Kitching continues as a director of Capper-Neill.

Mr. Derek Mann has been made managing director of BAARS (WHOLESALE), the parent company of the Massmart Cash and Carry Group. The appointment follows the retirement of Mr. A.

### Posner joins Post Office

BY JOHN LLOYD

MR. MICHAEL POSNER, former deputy chief economic adviser to the Treasury, has been appointed as a part-time member of the Post Office Board. This brings the number of "independent" members on the 18-man Board to the full complement of five.

Mr. Posner left the Treasury in 1976 after a two-year tour of duty. He is a Fellow and Director of Studies in Economics at Pembroke College, Cambridge, and a specialist in public sector economics.

Last year he produced a report on the Post Office's decision, taken in November, 1976, to reduce its ordering of certain types of telephone exchange equipment by as much as 50 per cent. His report found that, because of slow growth and spare capacity in the present system, the Post Office had no commercial alternative.

His appointment strengthens the economic expertise of the Board, at a time when spending levels, especially in the telecommunications business, have reached unprecedentedly high figures. Sir William Barlow, the chairman, has asked for a big increase in the numbers of telephone subscribers.

The Board is composed of seven management directors, including the chairman, seven independent directors and five representatives of consumers.

Mr. Derek Sate, a director of Ladbroke, and Mr. John Jarvis, chairman and managing director of Ladbroke's holiday and hotel divisions, have been appointed to the Board of LEISURE AND GENERAL HOLDINGS.

Mr. Don E. Zimmerman, president and chief executive officer of Capitol Records Inc., has been elected to the Board of CAPITOL INDUSTRIES-EMI, INC.

Mr. M. C. Devas, a director of Kleinwort Benson, has been appointed a director of FAMILY INVESTMENT TRUST, not Mr. Bevas, as reported yesterday.

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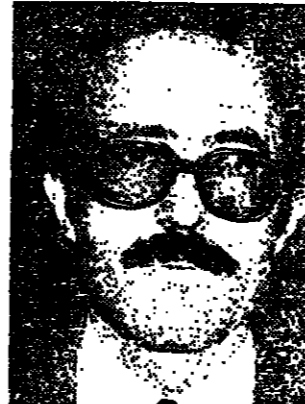
# BUSINESS WITH SPAIN

## MADRID

FEBRUARY 22-23 1978



H. E. Professor Don Enrique Fuentes Quintana



H. E. Sr. Don Juan Antonio Garcia Diaz



Sr. Don Jose Hemon Alvarez Rendue's



H. E. Sr. Don Joaquin Garrigues Walker

As a result of numerous requests for an international business symposium on Spain, as part of the Financial Times series of conferences on matters of substantial current interest, the Financial Times is arranging a conference on Business with Spain in Madrid on February 22-23 1978.

The conference will cover the outlook for the Spanish economy, political developments in Spain, an assessment of the impact of the proposed European Community membership and other significant relationships, such as that of Spain with the Arab countries. These topics will be analysed by a distinguished panel of Spanish and non-Spanish speakers of unique authority.

The list of distinguished speakers includes:

- H. E. Professor Don Enrique Fuentes Quintana, Vice-President of the Government for Economic Affairs.
- Mr. Per Haekkerup, MF, Minister of Economic Affairs, Denmark.
- H. E. Sr. Don Juan Antonio Garcia Diaz, Minister of Commerce and Tourism.
- The Rt. Hon. Sir Christopher Soames, GCMG, GCVO, CBE, Director, NM Rothschild & Sons Limited, Formerly Vice-President, Commission of the European Communities.
- H. E. Sr. Don Joaquin Garrigues Walker, Minister of Public Works and Housing.
- Sr. Don Jose Maria Lopez de Letona, Governor, Bank of Spain.
- Sr. Don Felipe Gonzalez, Secretary, Socialist Workers' Party of Spain.
- Mr. Abdulla A. Saudi, Chairman, Libyan Arab Foreign Bank.
- Sr. Don Jose Ramon Alvarez Rendueles, Secretary of State for Economic Co-ordination and Planning, Ministry of Finance.

## Management changes at Halifax Building

Mr. M. Macaskill, a general manager of the HALIFAX BUILDING SOCIETY, has been made an executive director. Mr. M. Farnham, at present controller of systems and services and a secretary, has become an assistant general manager. Mr. E. N. Cooke has been appointed to the executive as a secretary of the Society, and retains his title of advertising manager.

Mr. Charles Ball has been appointed non-executive director of PEACOCK PROPERTY CORPORATION.

Mr. Frank Quaranta has been appointed secretary of BASS HARRINGTON and will also be responsible for public relations of the group. Mr. Richard Beer, appointed the divisional director of Bass Charrington for

the past three years, has joined the Board of Crest Hotels and will become its managing director on April 4 on the retirement from that position of Mr. Edgar Gerhardt, who will remain on the Board of Crest until January 1979.

Mr. Harold Bridges, who retired as president and chief executive officer of Shell Oil Company (Houston, Texas) in 1975, has been elected to the Board of INCO LIMITED.

The Trustees of the NATIONAL GALLERY have appointed Mr. Allan Braham as Keeper and Deputy Director in succession to Mr. Cecil Gould, who retires from the Gallery on May 31.

Mr. W. H. Morris has been appointed the divisional director of the group. Mr. A. P. Dunn, a deputy

director, in the northern division of WILLIAMS & GILBY'S BANK.

Dr. P. J. Palmer and Mr. R. N. Gollman have been appointed directors of SMALL BUSINESS CAPITAL FUND, the venture capital member of the Co-operative Insurance Society.

Mr. Robert H. Hampson has been appointed managing director of CAPPER PIPE SERVICE COMPANY, a subsidiary of the Capper-Neill Group. He succeeds Mr. Kenneth G. Kitching, who has been managing director since 1967. Mr. Kitching continues as a director of Capper-Neill.

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## STOCK EXCHANGE REPORT

# Gilts up again to show biggest rises for four months

## Equities end below best but index puts on 4.9 to 473.3

Account Dealing Dates  
Option  
\*First Declara- Last Account  
Dealings tions Dealings Day  
Jan. 30 Feb. 9 Feb. 10 Feb. 21  
Feb. 13 Feb. 23 Feb. 24 Mar. 7  
Feb. 27 Mar. 9 Mar. 10 Mar. 21

"New time" deals may take place from 7.30 a.m. two business days earlier.  
British Funds continued to hold the limelight in stock markets yesterday on sentiment improved by the miners' decision to abide by the Government's pay guidelines. The market was given further impetus by the Government's decision to allow the first time of the long tap Exchequer 101 per cent at 26 four points under the issue price but a full point and a half up on its low touched a couple of days ago.

Selling of the tap stock estimated at a quarter of the £800m. issue, relieved fears about the need for an early hoist in short-term interest rates to settle recent concern about the financial background, while the miners' decision helped towards the same end in apparently weakening the bargaining position of the many other public sector workers currently negotiating wage claims. So the market's worries were pushed aside and widespread gains to 1½ points were recorded in short- and long-dated Gilts. The recently weak Government Securities index, up 0.93 to 73.34, had its biggest single-day rise for over four months.

Leading equities started off in a blaze with a rise of 8 points in the FT 30-share index at 10 a.m. but early business faltered and the index level held throughout the day before tailing off towards the close which was a net 4.9 up to 473.3. However, an increased turnover was illustrated in official markings of 5,828 against the previous day's 5,271. Second-line issues, in which there was a revival of recent speculative interest, recorded some sharp gains, but the bulk were in the process of catching up on the rises in the leaders which occurred overnight and in yesterday's early business.

Overall, rises in FT-quoted equities outnumbered falls by more than 8-to-1, and the FT Actuaries share indices showed widespread gains averaging 1½ per cent.

### 'Tap' activated

The authorities activation of the long tap was the extra impetus required for an extension of Wednesday's sharp turnaround in British Funds. Taking up from where they left off overnight, quotations were immediately 1½ higher at the opening and in another heavy trade made further progress to stand with net gains stretching to 1½ points after the 214p.

official close of business. The Government broker unexpectedly began selling the tap Exchequer 101 per cent 1995 midway through the morning session at 26, some 4 points below the issue price, and in the face of heavy buying withdrew at this level and at 26½, having sold an estimated £150-£200m. of the stock. With the pressure on short-term interest rates effectively reduced, yield considerations became a major incentive at both ends of the market, although business in the shorts was more one-way than in the longer maturities. Nevertheless, gains extending to 1½ points were established in both sectors, sentiment being further influenced by the Central Government Borrowing Requirement and a reported more conciliatory attitude on the part of engineering workers. Corporations also rebounded 1½ points in some instances, Tameside 101 per cent 1984-85 regaining that much to a net 21-point form. Southern Rhodesian bonds also improved in places.

In the absence of any real selling, rates for investment currency improved quickly after a slightly uncertain opening which reflected the early trend in sterling. With business thus generally one-way, the premium up to 78½ per cent, before a small late reaction left it a net 21 points higher at 78½ per cent. Yesterday's SE conversion factor was 0.7356 (0.7665).

### Discounts firm

Discounts mirrored the sharp upturn in gilts. Union closed 15 to the good at 44p, and Allen Harvey and Ross 10 better at 47p, while Cater Ryder put on 7 to 280p and Alexanders 5 to 233p. Home Banks improved with the general trend but failed to hold their best levels. Lloyds ended 4 up at 266p, after 270p and Midland, 2 harder at 342p, after 343p; the latter's new nil-paid shares ended a penny higher at 15p premium, after 17p premium.

The volume of business in insurance again left much to be desired but prices improved throughout. An unsettled market of late on consideration of its dispute with the Government over the recent pay award, Sun Alliance encountered a bear squeeze and picked up 13 to 542p. Royals shrugged aside fund-raising fears and added 7 to 350p.

Having improved to 184p in front of the annual meeting, Guinness were finally a penny easier on the day at 179p following the chairman's review of the company's prospects. Other Breweries generally made modest headway, but Davenport rose 6 to 94p on revived bid speculation. Distillers closed another 2 up at 173p and A. Bell 8 to the good at 214p.

Buildings made good progress with sentiment helped by encouraging January housebuilding output figures released by the National Housebuilding Council. Marchwell rose 10 to 246p and Richard Costain put on 8 to 264p. Newarthill also added 8, to 183p, and Higgs and Hill improved 5 to 85p, while Wilson (Connolly) added 7 to 117p in a thin market. Still drawing strength from the recent interim figures, Vibroplant added 6 to 188p. AP Cement, 240p, and Abertawe, 146p, gained 5 and 4 respectively.

ICL 4 up at 356p, after 357p, saw a continuation of the pre-

vious day's late firmness. Elsewhere, Scottish Agricultural, 205p, and William Ransom, 162p, both rose 7 in response to their respective annual and half-year trading statements.

### Stores below best

Leading Stores closed a penny or two below the best following a small trade. W. H. Smith "A" hardened 3 to 150p, after 152p, while Marks and Spencer were 2 dearer at 145p, after 147p. The chairman's forecast of a modest first-half profit left Burton "A" a penny firmer at 119p, after 120p. Gussies "A" rose 4 to 280p, after 282p, as did Mothercare to 170p. Elsewhere, improvements of 3 were seen in Allied Retailers, 201p, MFI Furniture Centres, 114p and John Menzies, 295p.

GEC rose to 265p before easing to settle at 263p for a net rise of 4, while EMI ended a few pence dearer at 179p, after 183p. Elsewhere in the Electrical sector, gains of around 5 were recorded in Louis Newmark, 175p, Rascal Electronics, 214p, and Telephone Retailers, 130p. Others to reflect sporadic buying included Brooks, 3 dearer at 73p, and Redifusion, a similar amount up at 92p. Among smaller-priced issues, Television hardened 2 to 39p. Suter Electrical improved afresh

### REED DOWN AGAIN

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Motorists and Distributors closed with a lengthy list of gains in the wake of an announcement that January car sales were substantially better than the industry had been expecting. J. Quirk gained 3 to 46p, while similar gains were seen in Henlys, 123p, and Catfyns, 100p.

Dowry picked up 2 more at 110p reflecting the miners' decision to accept the recent good interim report, while Turner Manufacturing, 118p, and Blunel Bros, 70p, put on 5 pence. ERF finished 1½ higher at 185p as bid speculation revived, while rises of around 3 were seen in Wilnot-Breeden, 62p, and Armstrong Equipment, 60p.

Persistent demand in a thin market lifted Associated Book Publishers 10 to 180p, after 185p. White Bear Bros. hardened 2 to 60p in reply to the higher first-half earnings. North Sea Oil-orientated stocks to make progress included Thomson, 12 better at 82p, and Bally Mall A, 8 to the good at 30p.

With recent fears of an increase in short-term interest rates fading, Properties took a turn for the better. Leading issues to firm a penny included Land Securities, 218p, and M&P, 123p. Elsewhere, Alcott revived at 217p, up 5, while

which advanced 4 to 188p, while renewed speculative demand left Savoy "A" 3 harder at 73p, after 75p.

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FINANCIAL TIMES STOCK INDICES									
	Feb. 9	Feb. 8	Feb. 7	Feb. 6	Feb. 5	Feb. 4	Feb. 3	Feb. 2	Feb. 1
Government Secs.	78.34	74.41	74.05	74.05	74.05	74.05	74.05	74.05	74.05
Price Interest	77.95	77.31	78.03	78.03	78.03	78.03	78.03	78.03	78.03
Index Ordinary	478.5	468.4	463.7	468.1	468.1	468.1	468.1	468.1	468.1
Index All-Share	143.4	145.0	151.6	151.6	151.6	151.6	151.6	151.6	151.6
Index Div. Yield	5.67	5.72	5.70	5.68	5.68	5.68	5.68	5.68	5.68
Share Repurchase	17.28	17.45	17.56	17.78	17.78	17.78	17.78	17.78	17.78
Index Div. Yield	6.17	6.09	6.07	6.07	6.07	6.07	6.07	6.07	6.07
Share Repurchase	5.886	5.871	5.852	5.811	5.811	5.811	5.811	5.811	5.811
Index Div. Yield	64.10	66.38	66.38	67.13	67.13	67.13	67.13	67.13	67.13
Share Repurchase	14.153	14.590	15.730	15.730	15.730	15.730	15.730	15.730	15.730

# Surrey Docks development work starts

WORK has started on the £100m plan to build main trunk drains for the development of Surrey Docks.

The sewer system will provide drainage for the majority of the new housing areas in the north of Redriff Road and the industrial areas.

Other work started included the removal of the top layer of the abandoned dock and of the existing foundations of the old wharves, piling for the new wharves, and ground trials to test the bearing and improve the bearing pressures of the soil.

The first stage of the housing development will start in the northern area.





**MINES—Continued**

## CENTRAL AFRICAN

Stock	Price	Yr	Div. Net
-------	-------	----	----------

Falcon Rh.50c	180	-----	Q50c
Rhone Corp. 182-p.	21	-----	0.57.
Roan Cons. R4	65	-----	—
Tanganyika 50p	132	-1	Q11.

## AUSTRALIAN

Aermet 25c	11	-1	-
Bm. Fairville 50 Toga	78	+3	08c

[illegible]

## TINS

Aral Nigeria	28	251
Azeri Human SM	260	9767

Berikut SMI	50	37.9
Pertamina SMI	270	60.6
Indosat	40	18.0
Gold & Base 12.9	9	15.0
PowerGen Cos	265.1	18.5
Hongkong	150	+5
Indris 12.9	90.1	7.5
Pantai 12.9	102.2	
Indosat 530.50	68	
Killing 12.9	45	-1
Indosat 530.50	285	18.5
Pantai 12.9	44	-1
Pantai 12.9	53.1	6.5
Pantai 12.9	165.5	18.5
Saint Piran	54	8.9
South Croft 12.9	59	64.1
South China 530.50	150	67.7
Sun Malaysia SMI	240	20.5
Sunrise Best SMI	144	
Sunrise Best SMI	98.1	4.0
Tanjung 12.9	60	2.5
Tanjung 12.9	74	15.2
Tanjung 12.9	150	20.0

## COPPER

MEASURE 1: ANTHROPIC

MISCELLANEOUS			
Burma Mines 17 1/2p	9	-----	---
Colby Mines 50 1/2	79	-----	---
Cons. March 10c	245	-----	Q30
Norhtgate CSI	250	-10	---
R.T.Z.	171	+2	18.5
Sahana Inds CSI	34	-----	---
Tara Exptn 51	818	-37	---
Tenn. Minerals 10p	45	-----	1.21
Yukon Cons. CSI	126	+2	Q7c

## NOTES

Unless otherwise indicated, prices and net dividends are in specie and discounts are at 5% p. Estimated preferences and dividends are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/E's are calculated on the basis of net distribution; bracketed figures indicate 10 per cent. or more difference if calculated on "all" distribution. Covers are based on "maximum" distribution. Yields are based on middle prices, are gross, adjusted to ACT of 24 per cent. and allow for value of declared distributions and rights. Securities with denominations other than sterling are quoted inclusive of the investment dollar premium.

3 Sterling denominated securities which include investment dollars - premium

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**"Recent Issues" and "Rights" Page 28**

This service is available to every Company dealt in on  
Stock Exchanges throughout the United Kingdom for a  
fee of £400 per annum for each security

## REGIONAL MARTINIS

### REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish shares, most of which are not officially listed in London, are quoted on the Irish exchange.

Alhambra Ice 20p	23	.....	Sheff Refreshmt.	51	.....
Ash Spinning.	42	.....	Shiloh Spinn	19	.....

Sindall (Wm.)	85	
TRINIS		
Cont'g 90 10 C.	596½	+13½
Alliance Gas. Tr.	70	-
Carnot	315	-
Carroll (P.J.)	105	-
Chas. E. Jones	105	-
Concrete Prod.	125	-
Hettion Hdgcs.	35	-
Irish Rope	130	+5
Jacob	60	-
Surgon	60	-
Tidals	174	-1
U.S. G.	70	-

[illegible]

## OPTIONS

[illegible]

FINANCE, LAND—Continued

1977-78	High	Low	Stock	Price	Net	Div. Yld. Cvt. (Gr%)
227	10	10	10	10	10	10
228	10	10	10	10	10	10
229	10	10	10	10	10	10
230	10	10	10	10	10	10
231	10	10	10	10	10	10
232	10	10	10	10	10	10
233	10	10	10	10	10	10
234	10	10	10	10	10	10
235	10	10	10	10	10	10
236	10	10	10	10	10	10
237	10	10	10	10	10	10
238	10	10	10	10	10	10
239	10	10	10	10	10	10
240	10	10	10	10	10	10
241	10	10	10	10	10	10
242	10	10	10	10	10	10
243	10	10	10	10	10	10
244	10	10	10	10	10	10
245	10	10	10	10	10	10
246	10	10	10	10	10	10
247	10	10	10	10	10	10
248	10	10	10	10	10	10
249	10	10	10	10	10	10
250	10	10	10	10	10	10
251	10	10	10	10	10	10
252	10	10	10	10	10	10
253	10	10	10	10	10	10
254	10	10	10	10	10	10
255	10	10	10	10	10	10
256	10	10	10	10	10	10
257	10	10	10	10	10	10
258	10	10	10	10	10	10
259	10	10	10	10	10	10
260	10	10	10	10	10	10
261	10	10	10	10	10	10
262	10	10	10	10	10	10
263	10	10	10	10	10	10
264	10	10	10	10	10	10
265	10	10	10	10	10	10
266	10	10	10	10	10	10
267	10	10	10	10	10	10
268	10	10	10	10	10	10
269	10	10	10	10	10	10
270	10	10	10	10	10	10
271	10	10	10	10	10	10
272	10	10	10	10	10	10
273	10	10	10	10	10	10
274	10	10	10	10	10	10
275	10	10	10	10	10	10
276	10	10	10	10	10	10
277	10	10	10	10	10	10
278	10	10	10	10	10	10
279	10	10	10	10	10	10
280	10	10	10	10	10	10
281	10	10	10	10	10	10
282	10	10	10	10	10	10
283	10	10	10	10	10	10
284	10	10	10	10	10	10
285	10	10	10	10	10	10
286	10	10	10	10	10	10
287	10	10	10	10	10	10
288	10	10	10	10	10	10
289	10	10	10	10	10	10
290	10	10	10	10	10	10
291	10	10	10	10	10	10
292	10	10	10	10	10	10
293	10	10	10	10	10	10
294	10	10	10	10	10	10
295	10	10	10	10	10	10
296	10	10	10	10	10	10
2						

OILS

1977-78	High	Low	Stock	Price	Net	Div. Yld. Cvt. (Gr%)
46	10	10	10	10	10	10
130	10	10	10	10	10	10
131	10	10	10	10	10	10
132	10	10	10	10	10	10
133	10	10	10	10	10	10
134	10	10	10	10	10	10
135	10	10	10	10	10	10
136	10	10	10	10	10	10
137	10	10	10	10	10	10
138	10	10	10	10	10	10
139	10	10	10	10	10	10
140	10	10	10	10	10	10
141	10	10	10	10	10	10
142	10	10	10	10	10	10
143	10	10	10	10	10	10
144	10	10	10	10	10	10
145	10	10	10	10	10	10
146	10	10	10	10	10	10
147	10	10	10	10	10	10
148	10	10	10	10	10	10
149	10	10	10	10	10	10
150	10	10	10	10	10	10
151	10	10	10	10	10	10
152	10	10	10	10	10	10
153	10	10	10	10	10	10
154	10	10	10	10	10	10
155	10	10	10	10	10	10
156	10	10	10	10	10	10
157	10	10	10	10	10	10
158	10	10	10	10	10	10
159	10	10	10	10	10	10
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# FINANCIAL TIMES

Friday February 10 1978

**BELL**  
SCOTCH WHISKY

*After ye go*

## Richardson supports monetary flexibility

BY MICHAEL BLANDIN

A MORE flexible system of rolling monetary targets, subject to periodic reassessment, should be considered instead of the present annual targets, it was argued yesterday by Mr. Gordon Richardson, the Governor of the Bank of England.

It is widely expected that the Government will adopt some form of rolling system when it sets its new monetary targets for the coming financial year. In a lecture yesterday he reaffirmed his view of the importance of monetary targets and gave his support to the idea.

He argued, however, that the quarterly reassessment used in the U.S. would be too frequent for the U.K. It would probably be sufficient to reset the target each six months, at the time of the Budget and again in the autumn.

This would reduce an important drawback of the present annual targets, "the implied requirement to hit a particular number on a particular date," Mr. Richardson said.

The problem has been highlighted this week by the strong, although temporary, reaction of the City markets to the banking figures published on Tuesday, which indicated a renewed increase in the money stock during the January banking month.

The Governor stressed "we should not be unduly concerned when monetary growth goes temporarily off-course," as long as a way could be seen to bring it back to the target path within a few months.



MR. GORDON RICHARDSON  
... six-monthly targets

The main role of monetary targets, Mr. Richardson said, was "to provide the framework of stability within which other policy objectives can be more easily achieved."

He emphasised the limits placed by continued inflation on the country's ability to pull out of the present recession. "I take the view that we cannot allow the economy to expand very vigorously until inflation has been brought down to a lower level and we have some assurance that this achievement will not be threatened by faster expansion."

Giving his reflections on the conduct of monetary policy, in the first Mait Lecture at the City University, the Governor said that while the achievement of a

monetary target was not an end in itself, "the conventional methods of demand management can only work well against a background of financial stability."

The first order of business must be to restore "confidence in the framework of the system." A monetary target provided "an overt public expression" of the need for caution in expanding the economy, and gave some assurance that action would be triggered if needed.

In the short term, if things went wrong adherence to an unchanged target would be the equivalent of early restraining discretionary action. In the longer term, the commitment to monetary targets would also ensure a general degree of confidence.

Developing the themes of his Mansion House speech last autumn, Mr. Richardson said persevering with the policy would have an increasing effect. Discussing the relationship between monetary policy and exchange rates, Mr. Richardson recognised the advantages of an appreciating pound for domestic prices, but added that the Bank was also concerned with the effect on export prices and profitability.

But the decision last year to let the pound float upwards when monetary policy was under pressure, "emphasises our commitment in conditions of conflict, to controlling the monetary aggregates."

## Four-part boost for French industries

BY DAVID CURRY

PARIS, Feb. 9.

THE FRENCH Government is launching an investment offensive in four industries crucial to its balance of payments, employment and technological independence. These sectors were today designated by the Economic and Social Committee, which brings together Government, employers, unions and various economic interest groups, as priorities for investment up to 1980.

Although the Government will expect the largest part of the finance to come from industry's own resources, a significant part will be funded by the State, either directly or through one of the range of semi-State institutions.

The Industry Minister said that a special working party studying ways of attracting private savings into industry would report by the end of the month.

First in the firing line is farm and food products. France is the world's second-largest farm and food exporter after the U.S. but her normal trade strength depends heavily on the export of bulk commodities like sugar, cereals and milk powder.

The food manufacturing industry is fragmented and small scale while in crucial areas like animal feedstuffs and certain meats, like pork, there is a heavy trade deficit. This sector has long been singled out as requiring drastic structural change, but a series of inter-ministerial committees has so far failed to come up with a convincing programme.

Energy, particularly new sources, is also on the priority

list, since France has no natural energy reserves and is anxious to develop her own technology with an export potential. Mechanical engineering, covering a wide range of basic capital goods, is designated for special attention as well.

The fourth area is pharmaceuticals. Although a net exporter, France's main companies in this sector, Roussel Uclaf, is a subsidiary of the German company Hoechst.

National companies have been handicapped by restrictive health service pricing policies, now in the process of revision, and to some extent France is dependent on foreign suppliers of medicine.

At the moment the sector is tiny, with a turnover of less than Fr.500,000 (£82,000). But the Government sees it as an important catalyst of industrial growth and a strong growth industry itself—hence the desire to create a strong French presence, initially at home and then in export markets.

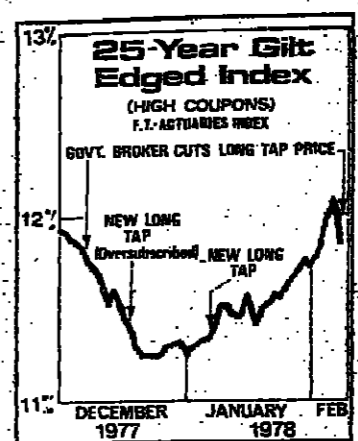
Two other areas will receive particular attention in 1978: the loss-making paper industry, which represents the largest drain on payments, and railway equipment, because of the need to develop these markets to compensate for a contracting home market.

Left still divided Page 2

## Wilkinson takes out the sting

THE LEX COLUMN

Index rose 4.9 to 473.3



The revised terms of Wilkinson Match's bid for True Temper, a subsidiary of Allegheny Ludlum of the U.S., remove the main cause of complaint about the original deal. Instead of finishing up with over 50 per cent of Wilkinson, as a result of selling its subsidiary in return for shares, Allegheny will now end up with only 44.4 per cent of Wilkinson's equity. And it has undertaken not to increase its holding above 45 per cent, without making a general offer—which would have to be accepted by at least 50 per cent of the outstanding shares.

The main explanation for the change, according to Wilkinson, is that the numbers thrown up by an investigation into True Temper are lower than originally expected. This must be true. The new terms are worth about £153m., after discounting a deferred cash element, compared with over £22m. for the original offer before Wilkinson's shares started to slide. Allegheny would not have dropped the asking price this far just to keep Wilkinson's shareholders sweet.

But institutional unrest at the original proposal has clearly had some kind of impact. After all Allegheny's original line was that it would not sell True Temper unless it secured a jump in minimum lending rate to-day, and yesterday's figures on the Central Government Borrowing Requirement for January indicate that the PSBR is still undershooting the target by a wide margin.

The only real worry at the shorter end of the market last night, was whether the authorities would capitalise on their success and rush out a new short tap. But given the market's recent bout of the jitters they will probably wait at least a week in order not to jeopardise the long tap's prospects.

Certainly the market has recovered its poise after the shock of Tuesday's poor banking statistics. Next week's money supply figures are going to look dismal but as the Governor of the Bank of England emphasised in his lecture at the City University yesterday, "we should not be unduly concerned when monetary growth goes temporarily off-course."

The lecture gave a useful insight into the Bank's version of "practical monetarism" and the Governor used it to reply to strategy is far from obvious.

the price of the long tap—Exchequer 104 per cent 1995—and sold, perhaps £200m. nominal at £26 and £26½.

The gilt edged market responded enthusiastically to the news and prices at both the short and long end of the

market rose by around a point and a half. The FT Government Securities Index recorded its biggest increase for four months. The reappearance of the GB has put paid to any fears of a jump in minimum lending rate to-day, and yesterday's figures on the Central Government Borrowing Requirement for January indicate that the PSBR is still undershooting the target by a wide margin.

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## Gilts rise on long-tap price cut

THE GILT-EDGED market rose sharply yesterday after the Government brokers cut the price of the official long-tap stock and started selling the stock for the first time.

At the same time, fears of a possible rise in the Bank of England's Minimum Lending Rate to-day were dispelled as the money markets settled down after the upsets of the previous day.

Dealers estimated that the

authorities might have sold up to some £150m-£200m. of the long tap, 101 per cent, Exchequer 1995, in an important move to resume large-scale funding of the Government's borrowing requirement and to restore control of the money supply.

The stock was sold initially at £26, a substantial reduction from the £30 paid up when it was issued four weeks ago, and was supplied again later at £26½.

It closed in the market at £26½, while gains of up to 1½ were seen at both the short and the long ends of the market.

The Financial Times Government Securities Index gained 0.33—its best rise for four months—to 73.34.

The mood of the market was helped by the news on the Government's pay policy, as well as by the improved conditions in the money market.

## Tories to attack pay sanctions

BY RICHARD EVANS, LOBBY EDITOR

THE Conservatives have decided to press their attack on the Government's use of discretionary powers against private industry with a major Commons debate next Monday, on new clauses to be included in all future contracts with Government departments.

They hope that the Government could be defeated if minority parties turn up in force—they failed to do so in last Tuesday's debate on discretionary powers, by the Government by 14 votes.

The Tory resolution tabled last night declines to support "the Government's arbitrary use of economic sanctions against firms and workers who have negotiated pay settlements beyond a rigid limit which Parliament has not approved" and calls on the Government to withdraw new contract clauses for public purchase.

Opposition leaders feel they must protest strongly against the Government's method of maintaining pay guidelines, but there is the danger that, if the Tory attack is defeated again, Ministers will claim added moral support for the use of economic sanctions.

Conservative leaders were unprepared for the publication of the new contract clauses during Tuesday's Commons debate. They now claim to be better equipped to discredit the Government.

Mr. Denis Healey, Chancellor of the Exchequer and Mr. Albert Booth, Employment Secretary,

will defend the Government's methods of restricting pay settlements. The Tory attack will be led by Sir Geoffrey Howe, shadow Chancellor and Mr. James Prior, shadow Employment Secretary.

Ministers seem determined to enforce the new contract clauses to ensure that wages levels are kept down as the inflation rate to single figures.

Mr. Callaghan told Mrs. Thatcher in the Commons that he was "totally unrepentant" about the Government's policy and he pointed out that the Commons retained the final verdict should the Government misuse its powers.

"At the end of the day, the Commons will have to judge... I am totally unrepentant about the powers being used and the purpose for which they are used."

Mrs. Thatcher had suggested it was cynical for the Government to use discretion given limited purposes in an unlimited way, "and then setting yourself up as the sole judge of the national interest."

There is still unease among Labour Left-wingers that the brutal way the Government is limiting pay agreements to 10 per cent, under a voluntary policy.

Mr. John Mordelson, MP for Penistone, sought a special meeting of the Parliamentary Labour Party yesterday to discuss the issue and this will be considered by the Party's Liaison Committee next week.

## Exchange report on dealer's profit

Financial Times Reporter

SECURITY SELECTION, a licensed dealer in securities, has been found to have profited by selling shares in Bonser Engineering in its own unit trust at a price higher than it bought the shares in the market.

This emerges from the report of a Stock Exchange investigation, published yesterday after the exchange had looked into the share deals.

Mr. T. S. K. Yeo, chairman of Security Selection, told the exchange that his firm had reimbursed its profit on the transactions to the unit trust, the Security Selection Universal Growth Trust.

The Stock Exchange has formally reported its findings to the Department of Trade, which is reviewing the regulations under which licensed dealers operate. It is not expected that the exchange will carry out any further investigation of member-firms or take any action against them.

The exchange yesterday disclosed the results of its inquiries into the relevant dealings in Bonser Engineering shares on February 8 1977. Selection bought 250,250 Bonser shares, at about 4 per cent, of the equity, as principal in the afternoon. The price of 14½p per share compared with the then market price of 15½p. Shortly afterwards it bought another 5,000 shares at 15p.

Later that day Security Selection sold 75,000 Bonser shares to its own unit trust. The unit trust paid 19½p and the firm received 19½p a share. The market price had by that time risen to 18½p. Security Selection used one broker for its two purchases of the Bonser shares and another for the sale to the unit trust.

Details, Page 18

## New clashes add to Lebanon threat

BY IHSAN HIJAZI

BEIRUT, Feb. 9.

CLASHES TO-DAY between Syrian troops and Christian Right-wing forces have brought the situation in Lebanon to its worst crisis since the civil war ended 15 months ago, and have renewed fears of Israel's involvement in the south of the country.

Syrian tanks were patrolling the streets, deserted save for Syrian soldiers manning road-blocks and holding positions on rooftops amid continued mortar and artillery fire. It is estimated that 50 people have been killed and many more wounded in three days of fighting.

The fighting between the two former allies stems from Christian fears that Syria's new alliance with the Palestinians to frustrate Israeli attempts to reach a peace initiative is undermining their position in the Lebanon.

The Israelis have for some time been helping Christian militiamen in their enclave of seven villages close to the Israeli border in southern Lebanon.

A communiqué last night by the guerrillas and their Left-wing allies claimed that the Israelis and Right-wingers had intensified their shelling of Palestinian positions in preparation for intensification of fighting in the south.

The Syrians appear to fear that both Egypt and Israel are plotting to discredit Syria's position in Lebanon. Heavy fighting in Lebanon would not only be a diversion from the problems of Egyptian-Israeli negotiations, but also sap the energies of the country leading the campaign among Arab States to halt Mr. Sadat's initiatives toward Israel.

The team consisted of former President Suleiman Franjier, a personal friend of President Assad of Syria, Mr. Fead Butros, the Foreign Minister, and Lt. Col. Sami al Khathir, the Lebanese commander of the Arab peace-keeping force.

Aside from the expansion of the fighting with Christian militias in Beirut, there are alarming signs that the confrontation is expanding to other Lebanese Army units. Fighting was reported to have broken out this afternoon round the main army garrison at Serba, over-

looking the port of Junieh. capital of the main Christian enclave, 15 miles north of Beirut.

If the alliance between the Christians and the Syrians, who fought side by side in the civil war, collapses, there are fears of intervention by the Israelis in the south.

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## Budget Day

size of reflation because of this pattern of expansion. In the desire to avoid early supply constraints and to maintain control over the money supply.

Monetary influences may be more important in determining the size of the stimulus than calculations based merely on taking full advantage of the bedroom window of the 28.6bn. public-sector borrowing requirement ceiling agreed with the International Monetary Fund for the next financial year.

Treasury figures published yesterday for the central Government borrowing requirement in 1977-78.

GOVERNMENT REVENUE AND EXPENDITURE				
	April 1-January 31 1976-77	1977-78	Change	%
Consolidated fund				
Revenue	28,193	32,677	+15.9	+11.7
Expenditure	32,013	35,547	+11.0	+10.5
Deficit met from National Loans Fund	-3,820	-2,870	-24.9	+2.7
Other NLF transactions				
Receipts	3,400	3,960	+16.5	+16.9
Payments	4,530	4,921	+8.6	+31.3
Net borrowing	-4,950	-3,831	-22.6	+16.8
Other funds and accounts	822	1,084		
Central Government borrowing requirement	-4,128	-2,745	-33.5	+17.3

\* +14.1 per cent of £300m. proceeds from BP share sale excluded.

Source: Treasury

## Weather

U.K. TO-DAY

SNOW showers everywhere, prolonged in East. Very cold. London S.E., East, Cent. N. E. Very cold. Snow, heavy in places with drifting. Wind N.E., strong. Max. 1C (34F).

Cent. S. E. and W. Midlands Very cold. Snow showers. Sunny intervals. Wind N.E., fresh. Max. 2C (36F).

Channel Islands, S.W., N. and S. Wales Very cold. Sunny intervals, scattered snow. Wind N.E., fresh or strong. Max. 2C (36F).

N.W. Lakes, Isle of Man, S. Scotland, Highlands Cold, snow showers. Wind N.E., fresh. Max. 2C (36F).

Moray Firth, N.E. and N.W. Scotland, Orkney, Shetland Cloudy. Sleet or snow at times. Wind S.W., moderate. Max. 3C (37F).

Outlook: Cold, snow showers.

BUSINESS CENTRES

	mid-day		mid-day		
	°C	°F	°C	°F	
Aström.	F - 2	28	London	C 11	52
Bombay	F 13	55	London	Su 11	54
Buenos Aires	F 17	63	London	Su - 3	27
Canton	C 15	59	London	Su - 1	30
Cebu	F 0	32	Manchur.	C 1	34
Calcutta	F 0	32	Manchur.	C 1	34
Harbin	C - 1	29	Manila	C 1	34
London	C - 2	28	Moscow	C - 3	23
Manila	C - 1	30	Munich	F - 4	25
Panama	C - 3	23	Newcastle	F - 3	27
Peking	C - 2	28	Newcastle	F - 3	27
Shanghai	Su - 3	27	Paris	F 0	32
Shanghai	F 1	34	Prairie	Su - 4	23
Shanghai	C - 2	28	Reykjavik	C 2	36
Shanghai	Su - 4	23	Rome	F 3	45
Shanghai	C - 1	30	Stockholm	C - 1	30
Shanghai	F - 1	30	Strasbourg	C - 1	30
Shanghai	C - 1	28	Tientsin	S - 18	64
Shanghai	C - 2	28	Vienna	C - 4	23
Shanghai	Su - 1	30	Warsaw	C - 4	23

F=Fair, C=Cloudy, S=Snow, G=Storm, R=Rain.

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